The U. S. Trade and Development Agency
Presents

PB99-102741

AVIATION PROJECT OPPORTUNITIES IN LATIN AMERICA AND THE CARIBBEAN

Prepared for the

"1998 Americas Conference on Aviation"

Miami, Florida
August 31 - September 3, 1998

Prepared by
Montgomery Consulting Group, Inc.

Aviation Project Opportunities in Latin America and the Caribbean

Prepared by:

Montgomery Consulting Group, Inc.
225 So. Swoope Avenue, Suite 204
Maitland, Florida 32751
Tel: 407-539-7030
Fax: 407-539-7035
E-Mail: MontyMCG@aol.com

For the:

Americas Conference on Aviation
August 31 - September 3, 1998

This report was funded by the U.S. Trade and Development Agency (TDA), an export promotion agency of the United States Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of TDA.

Mailing and Delivery Address: 1621 North Kent Street, Suite 300, Arlington, VA 22209-2131
Phone: 703-875-4357 • Fax: 703-875-4009 • Web site: www.tda.gov • email: info@tda.gov

The U.S. Trade and Development Agency

The U.S. Trade and Development Agency assists in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities. Through the funding of feasibility studies, orientation visits, training grants, conferences, and various forms of technical assistance, TDA enables American businesses to become involved in the planning stages of infrastructure and industrial projects in middle-income and developing countries. By doing this, the agency provides American firms with market entry, exposure, and information, helping them establish a position in markets that are otherwise difficult to penetrate.

Mailing and Delivery Address: 1621 North Kent Street, Suite 300, Arlington, VA 22209-2131
Phone: 703-875-4357 • **Fax:** 703-875-4009 • **Web site:** www.tda.gov • **email:** info@tda.gov

TABLE OF CONTENTS

TABLE OF CONTENTS, CONT'D

SECTION DESCRIPTION PAGE

IV. PROJECT PROFILES

INTRODUCTION TO THE AVIATION SECTOR

Introduction

The modernization of the airport and air traffic management systems in Latin America and the Caribbean is reaching record proportions. The demand for air transportation - both in passenger and cargo - is spurring the need to upgrade and expand physical airport facilities and modernize the air traffic management system towards the new technology standards that have been embraced by the International Civil Aviation Organization (ICAO).[1] The movement towards the Communications, Navigation, Surveillance approach to Air Traffic Management (CNS/ATM) has government air traffic management agencies investing in new technology to control and mange the air traffic and airspace in their country.

The CNS/ATM approach requires investment in new technology for all Latin American and Caribbean countries. However, many air traffic agencies are still investing in traditional ground based systems. Thus, while many governments have developed CNS/ATM theoretical transition plans, implementation for many of the smaller Latin American countries could be slow. While the slow timetable may disappoint ICAO and the FAA, the good news for U.S. companies is that there are still plenty of equipment sales opportunities for traditional air traffic management equipment.

There also seems to be a trend toward investment in communications modernization equipment ahead of the transition to satellite-based systems. The reluctance to begin a dedicated movement toward satellite-based equipment does not appear to be based on the ability to budget both traditional and modernized technology within the same timeframe. As the privatization trend, discussed below, suggests, the need for infrastructure improvements is well documented. Unfortunately, it is the source of funding for the required investment that creates the barrier towards implementation.

For Latin America and the Caribbean, ICAO estimates[2] that the average annual growth rate (%) from 1992 to 2003 will be 4.0%, composed of 5.5% growth in international passenger travel and 1.5% growth in domestic passenger travel. With regard to air cargo, ICAO estimates this region will have an average annual growth rate in this same period of 5.5% for total scheduled service and 6.0% for international scheduled service. Trading agreements with the MERCOSUR countries of Argentina, Brazil, Paraguay, Uruguay, and associate members Chile and Bolivia are spurring trade within Latin America. Open skies policies between the United States and within Latin America are also contributing to increases in air traffic.

---

1 At last count, 27 of the 185 ICAO contracting states were located in Latin America and the Caribbean. ICAO has regional offices in Mexico City and Lima.

2 International Civil Aviation Organization, *Outlook for air Transport to the Year 2003*, Circular 252-AT/103

It has been reported that the passenger market between the United States and Latin America and the Caribbean was in the magnitude of 33 million total passengers in 1996. Forecasts prepared by an air service analyst[3] predict that this market could reach 48 million by 2001.

Trends Towards Privatization

The emerging trend towards some level of privatization for airport operations, modernization, development and growth is evident throughout the Latin American and Caribbean Region. Through research accomplished during the compilation of this report, movement towards the privatization of airport operations, management, and development of infrastructure by government entities is found to be occurring at the airport level in Argentina, Barbados, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama, Peru, Puerto Rico, Uruguay, and Venezuela.

Over 125 existing or future airports in 25 Latin American and Caribbean countries have already embraced privatization of airport facilities or plan to privatize within the next three year period. These figures do not include Brazil, which has not yet decided on a privatization strategy for the country's 69 major airports. The recent privatization of 33 airports in Argentina and the proposed privatization of 35 airports in Mexico illustrate the commitment towards increased involvement and reliance on the private sector to provide system efficiencies in management and operations, commercialization of airport terminals and surrounding properties, and most importantly, access to capital to provide needed investment.

The trend in this emerging privatization market is towards a model of build/operate/transfer (BOT) or long-term-lease/develop/operate (LDO), or similar concession which will introduce private sector financing to develop needed infrastructure and supply an infusion of capital for investments to the airport system. In most cases, privatization is occurring only at the airport stage. Air traffic management and control is remaining under government supervision and regulation, primarily due to national security concerns. However, some smaller Latin American countries are also considering privatizing their air traffic management systems because of the substantial investments required to modernize their systems.

The privatization wave is creating more and more opportunities for U.S. companies to expand globally. The airport privatization market is more active in Latin America than in any other region in the world. U.S. service firms, including legal advisors, financial advisors, planners, engineering, architectural and construction management firms are finding burgeoning opportunities to assist

---

[3] Aviation Management Services, Inc., *Executive Summary of Av/Man's Forecast 2001*, as quoted *from Aviation Week Newsletter*, September, 1997.

foreign governments in structuring and implementing their privatization programs. U.S. airport management firms, construction companies, engineering firms, equipment providers and at least one U.S. airport authority are forming consortia to pursue privatization tenders.

Project Funding

In Latin America and the Caribbean for aviation-related projects, there are three sources of funding that U.S. companies may want to consider for assisting with financing. These include: 1) Overseas Private Investment Corporation (OPIC), 2) Export-Import Bank of the United States (Eximbank), and 3) other financing sources.

OPIC is open in all of the Latin American and Caribbean countries with projects profiled herein with the exception of Mexico. OPIC offers a number of programs, both to insure U.S. investments in emerging market countries and, selectively, medium and long term financing for sound overseas investment projects. Financing is available in the form of loan guarantees and direct loans. Direct loans are reserved exclusively for projects having significant involvement of U.S. small businesses or cooperatives. For further information on OPIC programs and services contact the Information Officer at telephone: 202-336-8799, fax: 202-408-9859 or visit OPIC's Web site at www.opic.gov.

Eximbank offers a wide range of export guarantee and, selectively, direct loan programs to promote the sale of U.S. goods and services abroad. Conditions vary from country to country and interested parties should consult Eximbank on specific situations, as needed. However, Eximbank insurance coverage is presently available in varying degrees for every country represented in the Project Profiles, particularly for private sector projects. In some countries restrictions still exist for public sector risk. For further information contact Eximbank at telephone: 800-565-3900 or visit Eximbank's Web site at www.exim.gov.

Other sources of financial support for airport and air traffic management projects in Latin America and the Caribbean include large U.S. and foreign commercial and investment banking firms and the private sector finance departments of multi-national financial organizations, such as the Inter-American Development Bank.

Sources for Additional Information

For additional information regarding specific project development, U.S. companies are urged to contact the specific foreign government agency responsible for the development of the project. For the projects that are profiled in Section IV of this report, contact names and numbers are provided.

For countries where English is not the primary language, it is advisable to maintain contact and correspondence in the primary language of the country. Many Latin American and Caribbean aviation officials speak English (especially in the air traffic management agencies); however, business dealings are best communicated in the official language of the country. Equipment suppliers may find benefit in having a local agent for representation.

Another excellent resource for project information is the Commercial Services sections of the U.S. Embassies and Consulates. In each country, there is typically an aviation-sector specialist which tracks the aviation-related projects. Because of the dynamic nature of some of these projects, and the changing timetables for development and tender release, input from the aviation commercial services officer can be an economical way to stay abreast of current developments. These commercial services officers can provide industry sub-sector analysis and international marketing insights to advise of the status of the industry and/or specific projects. These reports are available from the National Trade Data Bank (NTDB) for U.S. companies. For more information on NTDB subscription service for additional market research, contact STAT USA at telephone: 202-482-1986, fax: 202-482-2164.

For fast moving projects, it is advisable to stay in touch with the commercial service officer (CSO) or foreign service national (FSN) in the U.S. embassy who is tracking the project since the release of reports on the NTDB can take several months. Also advisable is contacting the commercial services officers to advise them that your company has interest in a particular type of project. Most of the U.S. embassies also offer "gold key services" for a fee which will assist U.S. firms in setting up meetings, provide contacts for translators, and business-related assistance.

Still another excellent source for project and contact information is the "Trade Americas Yearbook" published by the U.S. Department of Commerce and developed by the Commercial Services offices in the Americas. The 1998 Trade Americas Aerospace Yearbook can be purchased for US$ 25.00 from Ms. Ann M. Bacher, Director, U.S. Trade Center, Liverpool No. 31, Col. Juarez, 06600 Mexico, D.F., fax: 011-525-566-1115.

ARGENTINA

COUNTRY HIGHLIGHTS	
Capital	Buenos Aires
Language	Spanish
Population	33,100,000
Monetary Unit	Peso
Inflation Rate	0.5% (1/97-1/98)
Area (square miles)	1,068,301
Unemployment Rate	12% (1994)

COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Argentina is the second largest country in Latin America and occupies most of the southern portion of the South American continent. It is one of the more highly developed countries in the western hemisphere. Argentina's economy has gradually shifted from exclusive dependence on the large scale production of livestock and agricultural goods to one in which the industrial and service sectors are now dominant and investors are looking at the country in a new light. It is currently one of the top three destinations in the world for investment dollars outside the United States. Argentina has one of the lowest growth rates on the continent and so is not subject to the problems that come with a rapidly expanding population, although more than half the citizens live in five metropolitan areas. President Carlos Menem was re-elected in May 1995 for a four year term.

AVIATION SECTOR OVERVIEW:

The privatization of 33 of Argentina's airports was awarded in March, 1998 to the consortium Aeropuertos Argentina 2000, formed by Ogden Corporation, SEA and Corporacion America (a Buenos Aires corporation). The concession was granted for 30 years. Expected revenues for this period are $20 billion while over $2 billion will be spent on modernization and expansion efforts. It is the largest airport privatization project in the world to date. In support of Ogden's bid as concessionaire, the U.S. Trade and Development Agency (USTDA) has awarded a US$1 million grant to the Government of Argentina to assist in the privatization efforts. USTDA is providing funding to Organismo Regulador del Sistema Nacional de Aeropuertos (ORSNA) for a technical advisor, strategic planning consultant and investment analyst for the 24 airports that remain in the national system plan, outside the scope of the concessionaire.

INDUSTRY TRENDS:

Privatization of most of the ground facilities of Argentina's airports is anticipated to generate opportunities for a broad range of U.S. firms. American companies enjoy an excellent reputation for quality, reliability and price competitiveness but there is strong competition from European suppliers. Purchases in the aviation sector have grown at an average 12.5% annually over the past five years and are expected to increase significantly over the next three years. Some products with the highest sales potential are: airport security systems, metal detectors, luggage inspection systems, forklift and other work trucks, escalators and moving walkways, pneumatic elevators and conveyors.

ORGANIZATION AND ADMINISTRATION:

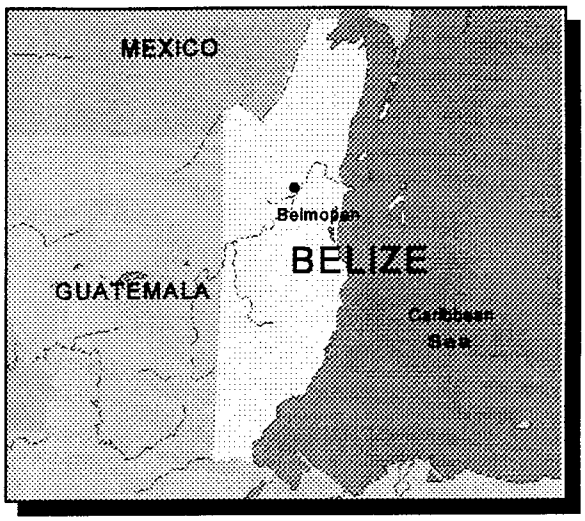
Within the government, the **Argentine Air Force's Air Regions Command (ARC)** is in charge of flight safety, air traffic control and management, and the technical and operational aviation infrastructure, which includes navaids, communications and air traffic controllers. On the ground ARC provides security and fire fighting systems. The **Organismo Regulador del Sistema Nacional de Aeropuertos (ORSNA)**, which works under the jurisdiction of the Ministry of Economy's Under Secretary for Transport, oversees the concessionaire and monitors the investments that will be required to modernize and expand Argentina's airports.

INVESTMENT CLIMATE AND BUSINESS RULES:

The government of Argentina is undertaking the privatization of the national airport system as part of the privatization process currently being pursued in various economic sectors. The primary objective is to develop a first rate airport system without adding expenses to the national treasury. Argentina's currency has traded on par with the U.S. dollar since 1991 and inflation has fallen to its lowest level in 20 years. Unemployment, however, remains a serious issue for the government. This is due in part to privatization efforts and government layoffs.

BELIZE

COUNTRY HIGHLIGHTS	
Capital	Belmopan
Language	English
Population	175,555
Monetary Unit	Belize Dollar
Inflation Rate	-0.4% (4/96-4/97)
Area (square miles)	8,867
Unemployment Rate	10% (1993)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Belize, formerly known as British Honduras, is a constitutional monarchy on the Caribbean coast of Central America. It is bordered on the north by Mexico and on the south and west by Guatemala. Belize suffers from the unrest that often develops with poor economic conditions. It possesses, however, many natural assets that other developing nations lack. It is not threatened with overpopulation or inadequate land resources and has a wealth of agricultural resources. Belize is hampered by a shortage of roads and railroads and much of the country is inaccessible. The Prime Minister of Belize is Manuel Esquivel.

AVIATION SECTOR OVERVIEW:

There are thirteen public domestic airports in Belize but the Philip S.W. Goldson International Airport (PGIA) is the only international port of entry into the country by air. PGIA currently serves four national airlines and three international airlines, as well as military, private and air-ambulance aircraft. Due to increased tourist activity and because of safety and security reasons, the airport at La Isla Bonita, in San Pedro, Ambergris Caye, an island off the northeast coast, was expanded in 1997 to better serve Belize's most popular tourist destination. The apron of the Placensia Airport is currently being improved to accommodate increased tourist activity. The Belize government strives to ensure that the runways at PGIA and all runways nationwide are properly maintained.

INDUSTRY TRENDS:

In 1996, the Belize Airports Authority (BAA) began the Belize Airports Development Project, a $11.25 million project which included the expansion and upgrading of the runway in San Pedro and expansion of the PGIA terminal building with additional customs area, expanded baggage handling, aircraft turning loop and a parallel taxiway. BAA works closely with the FAA and U.S. Embassy to maintain safety and security for its airports.

ORGANIZATION AND ADMINISTRATION:

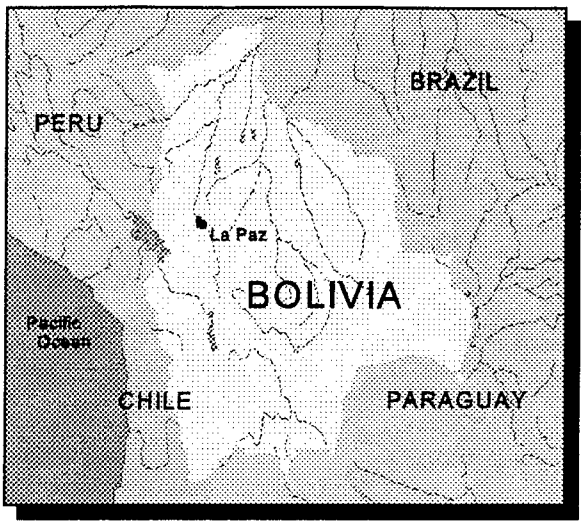
The **Belize Airport Authority (BAA)** is the government institution charged with managerial matters and the **Civil Aviation Department (CAD)** is the government institution that regulates civil aviation. Both the BAA and CAD fall under the Ministry of Energy, Science, Technology and Transportation. All civil aviation related purchases for improvements to the terminal building, aircraft movement surfaces and some navigational aids are made by the BAA.

INVESTMENT CLIMATE AND BUSINESS RULES:

With its miles of sandy beaches, safe water for boating and excellent fishing, Belize offers many possibilities for tourism development. During the past decade the government has encouraged tourism and tourist related investment projects. As a result, the tourism industry has grown dramatically over the past several years, resulting in economic growth and increased air traffic. In 1997, over 200,000 tourists visited Belize resulting in a $US70 million boost to the economy and creating numerous jobs. The United States is Belize's principal trading partner and is currently assisting with an agricultural diversification program, designed to reduce the country's dependency on sugar, which accounts for almost of 40% of its earnings.

BOLIVIA

COUNTRY HIGHLIGHTS	
Capital	La Paz
Language	Spanish
Population	6,588,601
Monetary Unit	Boliviano
Inflation Rate	8.2% (1/97-1/98)
Area (square miles)	424,163
Unemployment Rate	6.2% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Bolivia is a landlocked country straddling the central Andes Mountains in central South America. Mining and agriculture dominate the Bolivian economy as they have since the 1500's. Attempts have been made to stimulate commercial agriculture and otherwise diversify the economy, but mining still accounts for the majority of exports and over 4% of the labor force. Almost half the population is employed in agriculture. Recent economic improvements have included the free trade agreement with Mexico and associate membership with Mercosur. The government is headed by General Hugo Banzer, who was elected president in May, 1997.

AVIATION SECTOR OVERVIEW:

There are five international airports in Bolivia: La Paz, Cochabamba, Trinidad and two airports in Santa Cruz. There are 28 secondary airports with control tower facilities and limited communications within the national airspace and air traffic control system. Aviation is key to domestic transportation, because many areas of Bolivia are not accessible by road or railroad. Therefore air service is critical to the nation's economy. An airport and air traffic control modernization study, funded by the United Stares Trade & Development Agency, was completed by Raytheon Infrastructure (USA) in 1997.

INDUSTRY TRENDS:

Airport Group International (AGI) took over administration of the airports Santa Cruz, Cochabamba and La Paz on March 1, 1997. AGI was granted a 25-year concession and agreed to pay Administration de Aeropuertos y Servicios Auxiliares a la Navegacion Aerea (AASANA) 20.8% of all income generated during that time. AGI is now responsible for all improvements and expansions and is committed to investing US$ 200 million over the life of the agreement. It has formed a local operating company, Servicios de Aeropuertos Bolivianos, S.A. (SABSA). AASANA will continue to handle air traffic control and all remaining airports.

ORGANIZATION AND ADMINISTRATION:

Airports in Bolivia, including communications, navigation systems and supporting networks, are administered by the **Administration de Aeropuertos y Servicios Auxiliares a la Navegacion Aerea (AASANA)** under the National Secretary of Transport, Communications and Civil Aviation. AASANA supervises both airport expansion and the air traffic and air navigation system.

INVESTMENT CLIMATE AND BUSINESS RULES:

The economy of Bolivia has improved greatly since the federal government instituted a market-oriented policy in the late 1980's. Inflation has been reduced to a ten year low of 9.3% and the GDP has grown by an annual average of 3.25% as a result of the free market policies. A privatization law was passed by the Bolivian legislature in 1994 to enable private investment as a means of funding badly needed improvements in the aviation sector.

BRAZIL

COUNTRY HIGHLIGHTS	
Capital	Brasilia
Language	Portuguese
Population	147,094,739
Monetary Unit	Real
Inflation Rate	5.2% (1997)
Area (square miles)	3,286,475
Unemployment Rate	4.9% (1993)

COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Brazil is a republic on the east central coast of South America. With a land mass roughly the same as the 48 contiguous states of the United States, it is the largest country in South America. Brazil is undergoing a stream of immense change partly as a result of dramatic population growth. When President Fernando Cardoso took office in 1995 he called for sweeping market-oriented reform, privatization, deregulation and elimination of foreign investment barriers. His stabilization plan, called Plano Real for the new currency, brought inflation down to 3% but foreign debt remains at US$22 million. Brazil continues its shift to industrialization and its natural resources remain a major long-term economic strength. New presidential elections are to be held in October 1998.

AVIATION SECTOR OVERVIEW:

Brazil has 694 airports which are primarily publicly owned by the Federal, state or municipal governments. Brazil has the second largest airport infrastructure in the world and is undergoing extensive expansion, renovation and construction of new airports. The new terminal at Marechal Cunha Macada Airport in Sao Luis will serve the tourism industry on the northeast coast and a new international airport was opened February 1998, at Fortaleza at a cost of $80 million. Rio de Janeiro International Airport recently dedicated a new cargo terminal and is expanding the second passenger terminal which will increase passenger capability from 7.8 to 18.5 million per year. Although plans are not finalized, privatization in Brazil's airports may consist of transferring INFRAERO and DAC from the Ministry of Aeronautics to the Ministry of Transportation. It is believed that INFRAERO may be concessioned to the private sector, while DAC would become a regulatory agency. However, no specific plans have been announced.

INDUSTRY TRENDS:

An estimated US$ 2.9 billion will be spent over the next five years on the expansion and renovation of Brazil's airport system. Existing airports are being modernized and new ones are planned. Opportunities exist for U.S. companies in many areas. Current growth rates for Brazilian airports are 8.5% for total passengers, 3.1% for operations and 8% for air cargo. An "Open Skies" policy between the U.S. and Brazil is expected to be implemented in the near future.

ORGANIZATION AND ADMINISTRATION:

Under the Brazilian Ministry of Aeronautics, there are several divisions, including **Directoria de Electronica e Protecao ao Voo (SRPV)**; **Department of Civil Aviation (DAC)** and **Empresa Brasiliera de Infra-Estrutura Aeroportuaria (INFRAERO)**. In 1972, the government of Brazil created INFRAERO to develop and maintain the majority of the country's airports. It is responsible for all ground services. INFRAERO's goal is to expand and modernize the 63 airports and 29 air cargo terminals under its jurisdiction. Airports under INFRAERO's administration account for 95% of activity in the country. DAC is responsible for air traffic control, regulation of flights between Brazilian airports and all operational services, such as cargo, airplane maintenance, fueling, storage and ticketing. SRPV was created to provide for an integrated civilian and military air traffic management system.

INVESTMENT CLIMATE AND BUSINESS RULES:

INFRAERO will be responsible for approximately half of the $US2.9 billion required for its airport programs. The rest is to come from other government sources, banks and public/private investors. Airport taxes and fees charged by INFRAERO have increased over 30% in the last five years to help pay for the expansions. This has increased revenue by over $US250 million per year.

CHILE

COUNTRY HIGHLIGHTS	
Capital	Santiago
Language	Spanish
Population	12,961,032
Monetary Unit	Peso
Inflation Rate	6% (12/96-12/97)
Area (square miles)	292,257
Unemployment Rate	6.5% (1994)

COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Chile lies on the southwest coast of the South American continent. It is a narrow strip of land, less than 250 miles wide and over 2,600 miles long, bordered on the west by the Pacific Ocean and on the east by the formidable Andes Mountains. Chile has a prosperous free market economy. President Eduardo Frei Ruiz-Tagle, who took office in March, 1994 has emphasized social spending and, as a result, an estimated 1 million Chileans have moved out of poverty in the last four years. Chile is the world's largest producer and exporter of copper which is vital to the country's economy. The next presidential elections are to be held in December, 1999.

AVIATION SECTOR OVERVIEW:

As is the case with most South American countries today, airport privatization is now a keystone of economic development policy in Chile. The government remains involved to a large extent in the infrastructure development but the larger projects, which demand substantial capital investment, require private sector participation. The four year infrastructure plan implemented by the government calls for the modernization of 15 airports and includes the construction of 11 terminal buildings and the expansion/renovation of three passenger and cargo facilities. According to government policy, 60% of the financing will come from private sources and 40% from government funds. The Director General of Civil Aeronautics (DGAC) administers 17 international airports and 29 domestic airfields with medium and small volumes of operation.

INDUSTRY TRENDS:

A key factor of expanding opportunity in the aviation sector in Chile is the sharp rise in passenger and cargo volumes in the region. Passenger counts between the United States and Chile rose from 223,352 in 1990 to 499,438 in 1995, a 53% increase. Coupled with the rise in tourism and the growth in privatization, the Chilean government has indicated that they intend to spend over US $100 million in airport expansion and renovation projects for the period 1996-2000.

ORGANIZATION AND ADMINISTRATION:

The airport infrastructure sector in Chile is divided among three organizations: (1) Ministry of Public Works - Department of Airports, (2) Ministry of Public Works - Concession Office, and (3) the Direccion General de Aeronautica Civil. The **Ministry of Public Works (MOP)** has been responsible for construction of airport facilities, primarily terminal buildings. The Department of Airports of the MOP is responsible for the construction of publicly funded projects for airports. The office of the **Direccion General de Aeronautica Civil (DGAC)** has been responsible for the remainder of the airport development outside the buildings including the airfields and the air traffic and air navigation systems. However, the DGAC is currently considered to be the effective operator of the airports and the navigational system. DGAC administers all airport and aerodromes that belong to the country. This includes 17 international airports and 29 domestic airfields with medium and small volumes of operation.

INVESTMENT CLIMATE AND BUSINESS RULES:

The government of Chile is committed to regional cooperation and growth through tourism. There are no restrictions concerning US participation in aviation projects, but the preference is that foreign companies have a local partner. Companies are welcome to visit Chile to evaluate potential projects.

COLOMBIA

COUNTRY HIGHLIGHTS	
Capital	Bogotá
Language	Spanish
Population	30,660,504
Monetary Unit	Peso
Inflation Rate	18.5% (1/97-1/98)
Area (square miles)	439,734
Unemployment Rate	7.9% (1994)

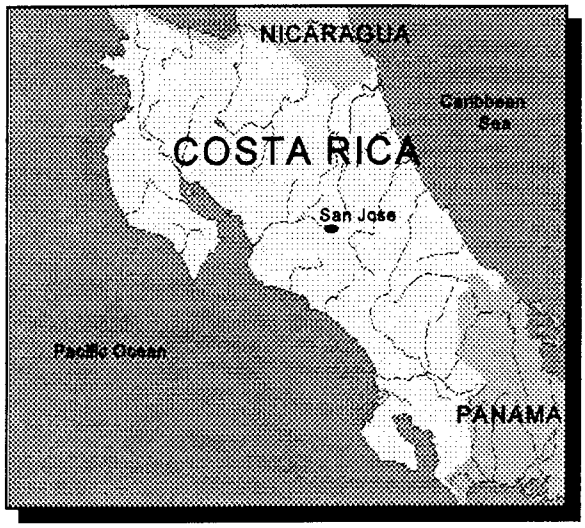
COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

The Republic of Colombia lies in the northwest corner of South America. Its geography is dominated by the three ranges of the Andes Mountains. Depending on the altitude, climate ranges from subtropical heat to subfreezing cold. The rapid development of coal and oil, along with strengthening prices for coffee, the chief export, have helped to keep growth at 5-6%. In 1991, the government implemented sweeping reforms to help the national economy. Ernesto Samper was elected president in 1994 for a term of four years. He began an ambitious privatization program which has led to the sale of 45% of state electricity to foreign investors. A new president, Andres Pastrana, took office in August 1998.

COSTA RICA

COUNTRY HIGHLIGHTS	
Capital	San Jose
Language	Spanish
Population	2,811,652
Monetary Unit	Colon
Inflation Rate	11.2% (1997)
Area (square miles)	19,575
Unemployment Rate	4% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Costa Rica is a small Central American country bordered on the east by the Caribbean Sea, the west by the Pacific Ocean, on the north by Nicaragua and by Panama on the south. The capital and largest city is San Jose, which lies in the central mountain valley. Costa Rica is often called a nation of farmers and has an agricultural based economy. Coffee is the chief export but the country also depends on manufacturing and tourism. The Pan American Highway, which runs north-south through the middle of the country greatly facilitates the transport of goods to market. Costa Rica has a democratic form of government and Miguel Angel Rodriguez was recently elected president for a term of four years. Next elections will be held February, 2002.

Preceding page blank

AVIATION SECTOR OVERVIEW:

Costa Rica's principal airport is Juan Santamaria International Airport in the capital, San Jose. It is served by 15 international passenger airlines and 19 cargo airlines. The other two main airports in Costa Rica are Tobias Bolanos Airport in San Jose and Limon Airport, both serving general aviation needs. There are also over 100 small private airfields throughout the country. The Liberia International Airport was opened in 1991 to serve the Pacific Coast tourism markets. There are also 31 smaller airports in rural areas. The government of Costa Rica contracted with TAMS Consultants (USA) to conduct a study of the Juan Santamaria International Airport. The study, which was funded in part by The U.S. Trade and Development Agency, was released in December, 1997. As a result, the government began requesting proposals in May, 1998 for operation, management and improvements of the airport. Facilities are expected to cost US$ 175 million. Following the initial investment, it is expected that an additional US$ 85 million will be required over the next decade.

INDUSTRY TRENDS:

Passenger and cargo traffic have experienced double digit growth in recent years. In addition to the extensive privatization efforts at the Juan Santamaria International Airport, the National Plan for Air Transport calls for additional expansions and modernizations including: (1) expansion of the terminal at Daniel Oduber Airport, which is estimated to cost US$ 2 million and begin in 1999; and (2) renovations of facilities at Tobias Bolanos, San Jose and the Limon Airports. It is estimated that, even with the tremendous investment and expansion of the Juan Santamaria International Airport, a new international airport will be needed by the year 2015. The TAMS study identifies and makes recommendations for potential sites.

ORGANIZATION AND ADMINISTRATION:

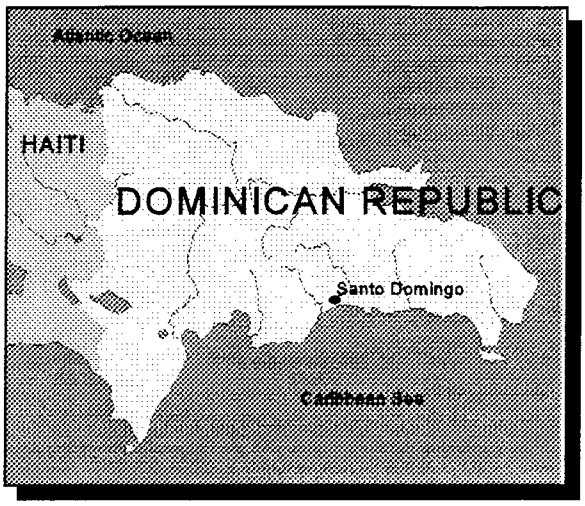
The government agency in charge of aviation matters is the **Direccion General de Aviacion Civil (DGAC)**. The DGAC is under the control of the **Costa Rican Ministry of Public Works and Transportation (MOPT).** The U.S. Federal Aviation Authority is working closely with the Costa Rican government to recommend improvements for aviation and airport security. Costa Rica has no armed forces.

INVESTMENT CLIMATE AND BUSINESS RULES:

Costa Rica is a regional and global leader for peace and human rights. Despite the economic stress put on the country by the hundreds of thousands of Central American refugees that stream into the country, its political and economic stability appear certain. Its long term currency rating is a BB. Costa Rica reports its unemployment at 4% but there is much underemployment. The country signed a free trade agreement with Mexico in 1994. All civil aviation purchases are made through the DGAC-MOPT and are regulated by the Costa Rican Comptroller's office.

DOMINICAN REPUBLIC

COUNTRY HIGHLIGHTS	
Capital	Santo Domingo
Language	Spanish
Population	7,515,900
Monetary Unit	Peso (d)
Inflation Rate	9.9% (9/96-9/97)
Area (square miles)	18,816
Unemployment Rate	30% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

The Dominican Republic occupies the eastern two-thirds of the Caribbean island of Hispaniola, located between Puerto Rico and Cuba. Haiti occupies the western third of the island. The Dominican Republic has been independent since 1844 and is closely linked to the United States for its economic interests. Almost 70% of the population is literate and there are 5 universities in the country. Although the government is attempting to expand its industrial base, most products must be imported and the majority come from the United States. Tourism, manufacturing and agriculture remain key sectors of the economy. President Leonel Fernandez Reyna took office in 1996.

AVIATION SECTOR OVERVIEW:

The Dominican Republic (D.R.) has eight airports for international traffic: Las Americas, Puerto Plata, Punta Cana, Los Cajuiles, Santiago, Herrera, Barahona and Santo Domingo and two for internal use, primarily tourism. Two of the international airports, Punta Cana and Los Cajuiles, are owned by private resorts but the Dominican government still maintains safety and security and collects taxes from these airports. No D.R. flag carriers are allowed access to U.S. airports with the exception of Air Atlantic Dominica which operates under a "wet lease" agreement. All D.R. flag carriers are currently rated in FAA Category III.

INDUSTRY TRENDS:

The United States is attempting to work out an "Open Skies" agreement which would apply to passenger, combination and all-cargo services. In addition, the Director of the Airport Authority announced that in 1998 the D.R. government will authorize privatization of Las Americas International Airport. The government began taking offers in November, 1997 from private companies who are interested in managing operations at the airport. The private company must provide its own financing and be able to reconstruct the airport, which will require an investment of approximately US $70 million. In return the Dominican government will allow the corporation to collect all fees from passengers and carriers for an unspecified period of time.

ORGANIZATION AND ADMINISTRATION:

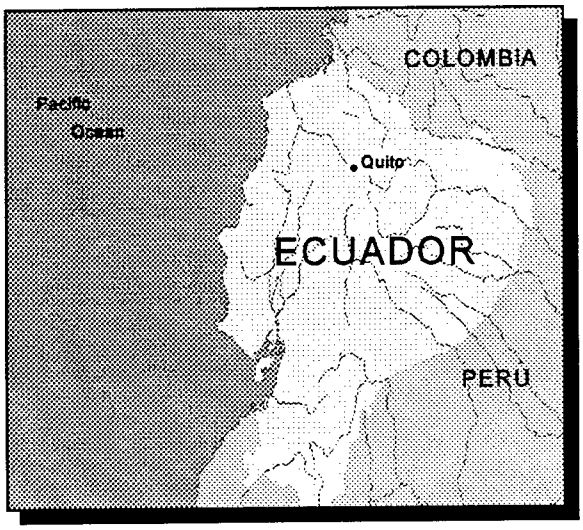
The **Civil Aeronautic General Directorate (DGAC)** is responsible for Dominican aviation policy and is under the Administrative Secretary of the Presidency. The **Civil Aeronautics Council (CAC),** another government agency, regulates economic and commercial policies of the civil aeronautic sector, including commercial airlines and equipment purchases. Each airport has an administrator, who reports to the Airport Authority Department and who is in charge of airport infrastructure and management of the facilities. There is also the "Special Corps for Airport Security", a military group under the supervision of the Dominican Armed Forces, who maintain security at all the airports.

INVESTMENT CLIMATE AND BUSINESS RULES:

The CAC studies and approves requests for purchases by the Airport Authority Department and the DGAC. The Dominican government appears committed to improving the safety and reputation of its carriers and to improving facilities at its international airports and is open to working with U.S. firms. The head of the Civil Aeronautic General Directorate (DGAC), General Mejia, concerned about his country's safety record and the FAA restrictions, has contacted the International Civil Aviation Organization (ICAO) and asked for technical assistance. The DGAC signed a contract for consulting services in 1997 which stipulates the D.R. deposit money into a special ICAO account which is to be used for purchasing safety and other equipment with the ICAO discount.

ECUADOR

COUNTRY HIGHLIGHTS	
Capital	Quito
Language	Spanish
Population	9,954,609
Monetary Unit	Sucre
Inflation Rate	27.7% (1997)
Area (square miles)	109,483
Unemployment Rate	7.1% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

The Republic of Ecuador takes its name from the Spanish word for equator which runs through the country 16 miles north of Quito, the capital city. As a result of prolonged border disputes, particularly with neighbor Peru, Ecuador is today a small triangle of land on the northeast coast of South America and is one of the smallest countries on the continent. Much of the country is uninhabitable, consisting of jungles and mountains. The Galapagos Islands lie off the western coast and are a province of Ecuador. Ecuador has been traditionally an agriculturally-based economy but is moving toward industrialization. As a result, there has been a recent migration to the urban centers along the coast. The government has launched a series of economic reforms and has been able to bring inflation down from a high of 55% in 1992 to 27.7% at the end of 1997. Jamil Mahuad, the former mayor of Quito, took office as president on August 10, 1998.

AVIATION SECTOR OVERVIEW:

Ecuador's national airport network consists of 25 airports. Most of these airports lack funds for basic maintenance and must be subsidized to maintain adequate service levels. In 1989, Law 53 created a new Airport Commission, presided over by Ecuador's Vice President. In 1990 the commission decided to plan two new airports to replace the existing facilities at Mariscal Sucre in Quito and Simon Bolivar in Guayaquil. The airports, built over 40 years ago, are no longer able to meet the current aviation demand and neither comply with minimum requirements for acreage set by the International Organization for Civil Aviation (ICAO). This has resulted in Ecuador's classification as Category II by the FAA. The new Quito airport is to be located in Puembo, about an hour's drive from the capital and Guayaquil's new airport is to be located in Daular, about 45 minutes away.

INDUSTRY TRENDS:

In 1996, the DAC reported more than 3.5 million passengers at the Quito and Guayaquil Airports, with an annual growth of 8%. That same year air cargo volumes were 90,000 tons, showing an annual growth of 19.2% The new airports planned at Quito and Guayaquil are estimated to cost approximately US$ 600 million. The funding is to come from joint ventures, comprised of not more than 49% foreign investment and 51% national and government investment.

ORGANIZATION AND ADMINISTRATION:

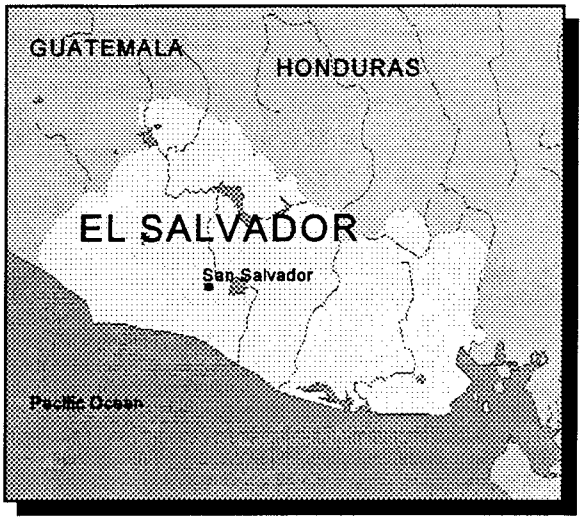
Civil aviation is controlled by the **General Civil Directorate of Aviation (DAC)**, who plans, regulates and controls civil air transportation in Ecuador. The DAC is subject to the Ministry of Defense. The DAC oversees operation, maintenance and construction of airport projects. The **National Modernization Council (CONAM)** is assisting the DAC with the new privatization projects at Quito and Guayaquil.

INVESTMENT CLIMATE AND BUSINESS RULES:

Several laws have been passed by the federal government which encourage foreign investment. Ecuador has applied for membership in the World Trade Organization and is a member of the Andean Community, which established free trade agreements between Ecuador, Bolivia, Chile, Venezuela, Colombia and Peru. The government signed a standby agreement with the IMF to reschedule $7.6 billion in commercial debt and regained access to multilateral lending. Growth stands at about 3.9% currently and international reserves are a record $1.6 billion.

EL SALVADOR

COUNTRY HIGHLIGHTS	
Capital	San Salvador
Language	Spanish
Population	5,124,931
Monetary Unit	Colón
Inflation Rate	1.5% (1/97-1/98)
Area (square miles)	8,124
Unemployment Rate	6.7% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

El Salvador is the smallest of the Central America republics but it is the most densely populated. There are almost 650 Salvadorans for each square mile of land and, at the present rate of population growth, this figure will double by the 21st century. El Salvador is becoming increasingly industrialized and has a growing middle class, most of whom live in and around San Salvador. Salaries are low and economic hardship is a fact of life. El Salvador is mountainous, with two parallel chains of volcanic mountains running east-west through the country. Between these northern and coastal ranges lies a 30-mile wide plateau where the heaviest concentrations of population lie. President Armando Calderon has held office since 1994. Next elections will be held in 1999.

AVIATION SECTOR OVERVIEW:

El Salvador has 52 airports with paved runways, four with runways longer than 914 m. The country also has approximately 20 airports with unpaved runways. The primary international airport is the El Salvador International Airport, located in the capital city of San Salvador. The government of El Salvador retained AAROTEC, a U.S. consulting firm, to study the modernization and expansion of El Salvador International Airport in December, 1997. The project includes airport planning, air traffic forecasts, economic analysis and a review of previous terminal expansion plans. In November, 1997, Comision Ejecutiva Purtuaria Autonoma (CEPA), El Salvador's Independent Port Executive Commission, chose Northrop Grumman to upgrade the country's ATC system. El Salvador is one of the contracting states that belong to the International Civil Aviation Organization (ICAO).

INDUSTRY TRENDS:

As one of the fastest growing aviation markets in Latin America, El Salvador continues to study its airport system to modernize and expand its facilities. Modernization of the principal airport is to be implemented in accordance with the expansion plans developed by the study. A new terminal at the El Salvador International Airport is anticipated.

A master plan developed by U.S. consultant, AAROTEC, indicates improvements at the Comalapa Airport are to include construction of a cargo terminal, development of a regional terminal and development of a new runway. Administrative and operational opportunities may also be available at Comalapa Airport.

ORGANIZATION AND ADMINISTRATION:

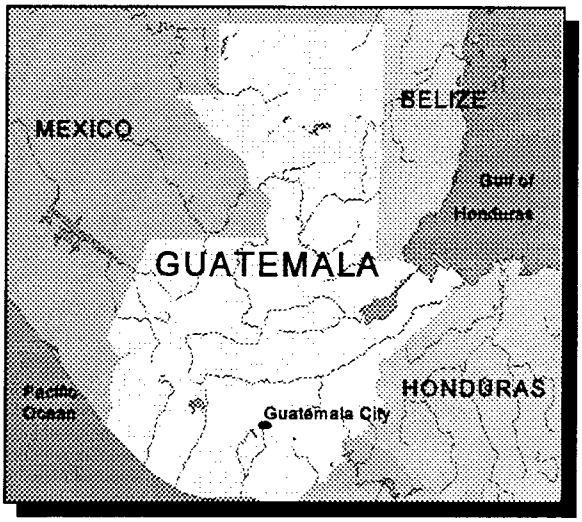
Civil aviation in El Salvador is controlled by the **Direccion General de Aeronautica Civil (DGAC).** The **Comision Ejecutiva Purtuaria Autonoma (CEPA)** - El Salvador Port Authority Executive Commission - oversees the operation and development of San Salvador International Airport. CEPA is an independent airport commission.

INVESTMENT CLIMATE AND BUSINESS RULES:

El Salvador is one of the fastest growing aviation markets in Latin America, with an increase in market size of 83% over the previous six year period. The country joined Panama, Guatemala and Honduras in signing an Open Skies Agreement in April, 1997. The administration of President Calderon has made significant strides in privatization and deregulation of the economy. Inflation is at a manageable rate, down from a high of 19% in 1993.

GUATEMALA

COUNTRY HIGHLIGHTS	
Capital	Guatemala City
Language	Spanish
Population	8,622,387
Monetary Unit	Quetzal
Inflation Rate	8.0% (8/96-8/97)
Area (square miles)	42,042
Unemployment Rate	4.9% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Guatemala is the most populous country in Central America. Once a part of the great Mayan civilization and later a Spanish colony, Guatemala has been governed until recently by military officers. The great majority of the population, and most of Guatemala's urban centers, are located in a highland area in the southern part of the country. Guatemala's president is Alvaro Arzu.

AVIATION SECTOR OVERVIEW:

Guatemala ranks first in Central America in the number of take-offs and landings, and in the number of transit passengers. It also has the greatest number of commercial aircraft in the region. The new aviation law passed on December 7, 1997 gave Guatemala an "open skies" policy, allowing foreign airlines access to Guatemala's eight airports. It was also decided at this time to privatize the operations, maintenance and expansion of all eight airports in Guatemala. La Aurora International Airport located in Guatemala City is the country's principal international airport. Flores, which is located near the Tikal rainforest, is the only other international airport. Several of the airports are single runway "airstrips."

INDUSTRY TRENDS:

Guatemala's plan for economic development is based on significant growth in non-traditional agricultural exports, making air service a critical facility for the country's growth. According to the aviation sector's modernization plan, in addition to La Aurora and Flores, six smaller airports around the country will be upgraded. The first phase, already underway, includes the construction of new runways and terminals. The second phase includes the purchase of new equipment for the six airports. There will sales opportunities for U.S. companies for aviation telecommunications equipment, ILS, VOR and air traffic systems. Because of La Aurora International Airport's size and importance, it will be concessioned separately from the other seven and is likely to be the first concession offered by DGAC.

ORGANIZATION AND ADMINISTRATION:

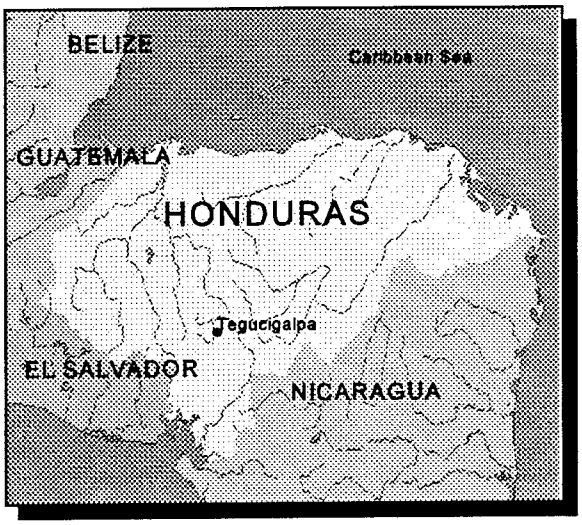
The **Direccion General de Aeronautica Civil (DGAC)** is the government operator and developer of all eight airports in Guatemala. Since the new Civil Aviation Law was approved by congress in December, 1997, the DGAC is no longer controlled solely by the **Ministerio de Communications, Transporte, Obras Publicas y Vivienda** (Ministry of Communications, Transportation and Public Works). The DGAC is now a semi-autonomous agency of this ministry.

INVESTMENT CLIMATE AND BUSINESS RULES:

Presidential elections will be held in 1999 but should not affect the airport privatization plans. The privatization process provides opportunities for U.S. suppliers of equipment and services. Guatemala works closely with the FAA on technical assistance and aircraft certification. Still pending after the December 1997 Civil Aviation Law is the definition of the three types of concession, operational, auxiliary and non-aviation services, as well as the time frame for the renewable concessions, the packaging of the smaller airports and the percentage of foreign ownership that will be allowed.

HONDURAS

COUNTRY HIGHLIGHTS	
Capital	Tegucigalpa
Language	Spanish
Population	5,103,772
Monetary Unit	Lempira
Inflation Rate	12.7% (1997)
Area (square miles)	43,2788
Unemployment Rate	10% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Honduras is the second largest country in Central America. It is bounded by Guatemala on the northwest, El Salvador to the southwest and Nicaragua to the southeast. Its border on the Caribbean extends 350 miles on the northern coast. Economically, Honduras can be divided into three regions: the highlands, which depends on agriculture and mining; the north coast, which includes the Bay Islands just offshore, and whose economy is tourism driven; and the southeast coast, also known as the Mosquito Coast, which is made up of coastal lowlands and shallow lagoons and where the population is less than two persons per square mile. The president of Honduras is Carlos Flores Facusse, who was elected in November, 1997.

AVIATION SECTOR OVERVIEW:

Honduras has four airports providing international service: Tegucigalpa, San Pedro Sula, Rotan and La Ceiba Airports. Honduras currently ranks third in Central America, behind Costa Rica and Guatemala, in the number of total aircraft operations and passengers. The government of Honduras plans to privatize these four airports in early 1999. The concessionaire will be responsible for all upgrades and maintenance and in return will operate and collect fees for land services, such as parking, restaurants, catering, rental spaces, air traffic services, etc. US$ 66 million has already been spent on the San Pedro Sula International Airport on a new passenger terminal, control tower and computerized customs system. This airport is now one of the best equipped international airports in the region. The government also plans to upgrade the air traffic services at the 4 airports, including the installation of DVOR/DME/ILS, radars, airport lighting systems and other navigational aids.

INDUSTRY TRENDS:

The Honduran government plans to choose one operator in its privatization plans for the four international airports. The new Civil Aviation Law is pending passage in Congress, but was expected to be approved in August, 1998. As soon as the new law is in place, pre-qualification bids for interested parties will be taken and the DGAC will study the interested consortiums and their privatization schemes. A contract will be awarded, hopefully during the first quarter of 1999. The operation and management of the airports will be regulated by the Law of Concessions for the Exploitation of Airport Services and through the new Civil Aviation Law.

ORGANIZATION AND ADMINISTRATION:

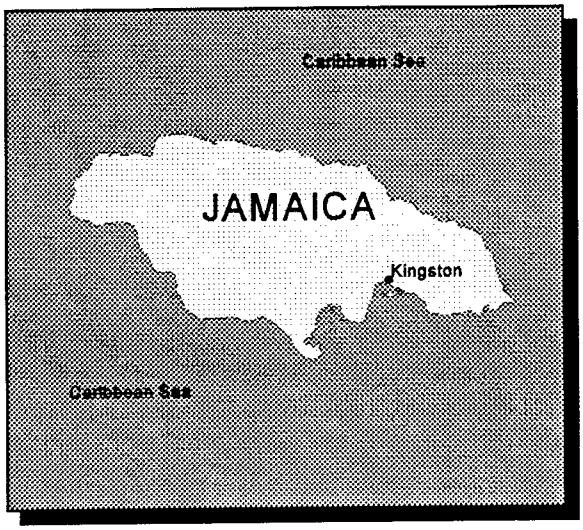
The **Dirección General de Aeronáutica Civíl-Civil Aviation General Directorate (DGAC)** is responsible for technical activities and operations at the four airports. A new civil aviation law may create the formation of a new independent and decentralized organization, the **National Administration of Civil Aviation (ANACI)**, which would replace the DGAC. The ANACI would serve as a supervisor to the new concessionaire to make sure that the nations's regulations and air standards are maintained. To date, though, the DGAC maintains responsibility for the activities at the four airports.

INVESTMENT CLIMATE AND BUSINESS RULES:

A reform program, begun by the federal government is beginning to have positive effects on the economy. Inflation is down from 34% (1994) to a current rate of 12.7%. One of the largest problems facing the Honduran economy is its dependence on the export sector, particularly bananas and coffee, which are subject to price fluctuation.

JAMAICA

COUNTRY HIGHLIGHTS	
Capital	Kingston
Language	English
Population	2,574,291
Monetary Unit	Jamaican Dollar
Inflation Rate	8.7% (4/96-4/97)
Area (square miles)	4,244
Unemployment Rate	15.7% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Jamaica is an island made up of mountainous, mostly uninhabited regions in the east and coastal savannahs and plains on the west. The once vast resources of mahogany and other wood have been exploited over time, leaving very little of the natural rainforest and causing hill erosion. The official language is English but many Jamaicans speak a Creole dialect. Twenty-five percent of the population is engaged in some type of agricultural pursuit but there are also five international aluminum companies mining bauxite on the central plateaus. A string of beautiful and popular resorts extend along the north coast. Jamaica is a parliamentary democracy, with a governor-general appointed by the English monarch and a Prime Minister, currently P.J. Patterson, who is the leader of the majority party.

AVIATION SECTOR OVERVIEW:

The two international airports in Jamaica are the Norman Manley International Airport in Kingston, which serves the capital city and east Jamaica, and the Sangster International Airport in Montego Bay, the largest airport in the Caribbean, handling the majority of the tourist trade for the island. There are four other smaller airports that handle only domestic traffic and a number of private airstrips throughout the island.

INDUSTRY TRENDS:

The Airports Authority of Jamaica has commissioned studies on the benefits of allowing privatization of operations. During 1997, one of these studies looked at the privatization of passenger and air cargo facilities at Norman Manley International Airport. The government has recently issued a request for pre-qualification applications for the privatization of Sangster International Airport. The investor will have "strategic control" over the airport's operations and will provide development financing.

ORGANIZATION AND ADMINISTRATION:

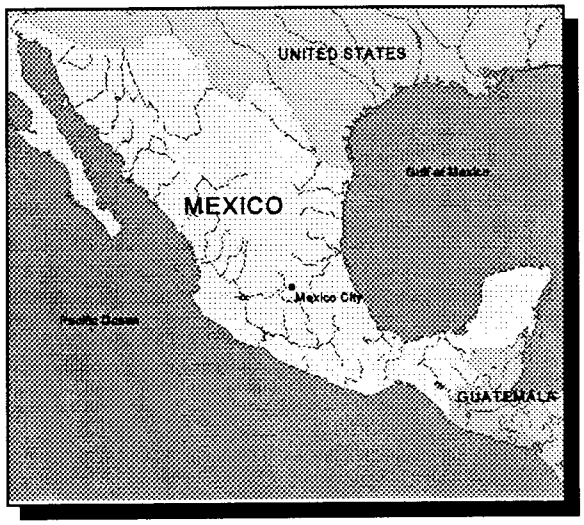
The **Civil Aviation Department** is part of the Ministry of Communications and was established originally to develop the island's airfields and subsequently to operate and manage airports. In 1974, the **Airports Authority of Jamaica (AAJ)** was established to manage the airports' infrastructure, including runways, buildings and the provision of safety and security measures. AAJ earns revenues from aviation fees and concession revenues.

INVESTMENT CLIMATE AND BUSINESS RULES:

The government of Jamaica works closely with the National Investment Bank of Jamaica Limited. The Norman Manley International Airport Management Review was funded by Multilateral Investment Fund (MIF) and administered by the Inter-American Development Bank (IDB). The IDB had approved a $26.5 million loan in 1996 to improve efficiency and quality at the country's airports. The government has instituted tight fiscal and monetary policies in order to bring down high inflation and curb unemployment. Tourism continues to be one of Jamaica's leading sources for revenue.

MEXICO

COUNTRY HIGHLIGHTS	
Capital	Mexico City
Language	Spanish
Population	93,985,848
Monetary Unit	New Peso
Inflation Rate	15.3% (1/97-1/98)
Area (square miles)	750,000
Unemployment Rate	9.8% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Mexico has abundant mineral resources, limited land suitable for agriculture and a rapidly growing population. The country's overall population exceeds 100 people per square mile, with more than half of its population living in the central core. More than two-thirds of the population live in cities. Mexico City, with a population of more than 22 million, is the largest city in the world. Petroleum and tourism dominate the economy. Despite social and economic gains in recent history, Mexico is plagued by high inflation, an enormous debt and falling petroleum prices. Its membership in the North American Free Trade Agreements (NAFTA) with the United States and Canada seems to brighten prospects for the Mexican economy. Since December, 1994, Mexico's president has been Ernesto Zedillo.

AVIATION SECTOR OVERVIEW:

There are 58 airports controlled by ASA, 45 of them offering international service The Civil Aviation Law and the Airport Law, both passed in 1995, greatly affected the aviation industry in Mexico. These laws provided for the expansion of 35 of Mexico's airports by concession. The program dictates a 50-year renewable concession for the upgrading, operation and maintenance of existing airports and the construction of others. The Secretariat of Communications and Transport (SCT) plans to bid the airports for concession in four (4) regional packages. They have also identified the need for a second international airport in Mexico City and this will be bid in the package with Mexico City International Airport. The SCT has received expressions of interest from 64 firms, including major operators from North America, Europe and Latin America.

INDUSTRY TRENDS:

Growth in air passenger service is 7% annually and air cargo is growing at a rate of 9% per year. Business opportunities for American companies interested in this program are in three areas: investment, consulting and joint venture or partnerships. The most promising areas of participation are in design, operations, cargo handling, equipment selection, security and financial management. American companies have a geographic advantage to partnering with Mexican firms but will have to be aggressive in order to compete in this very challenging market.

ORGANIZATION AND ADMINISTRATION:

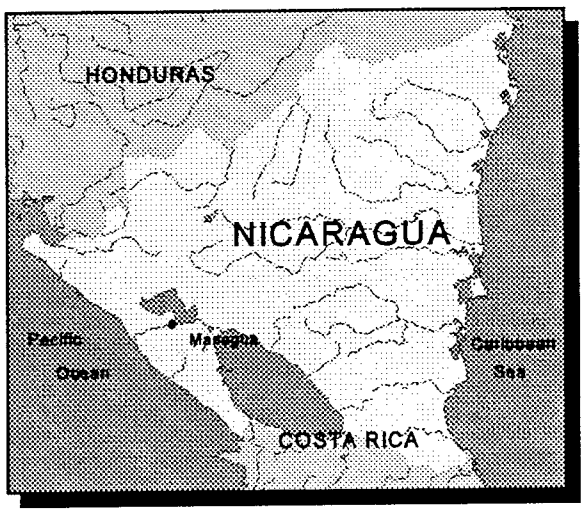
The **Aeropuertos y Servicios Auxiliares (ASA)**, an agency of the Mexican government, was created in 1965 and is responsible for management and operations of the country's airports. The **Dirección General de Aviación Civil (DGAC)** is the Mexican equivalent of the FAA and is responsible for civil aviation related purchases. The **Servicios a la Navegacion en el Espacio Aereo Mexicano (SENEAM)** provides air traffic control and management services. The DGAC and SENEAM are under the Mexican **Secretariat of Communications and Transport (SCT).**

INVESTMENT CLIMATE AND BUSINESS RULES:

In the early 1990's the Mexican government began to allow private investment in airports under a "coinvestment" scheme. To date these investments have totalled more than US$ 350 million. The most important investors are the members of the Mexican Association of Airport Investors. U.S. companies interested in participating in the new privatization program should contact the private Mexican companies already involved in the coinvestment program. Foreign investment can total up to 49% of the concession without prior approval from the Foreign Investment Commission. Companies interested in the concession program must be pre-qualified technically, financially, administratively and legally. The import climate is favorable for U.S. companies and no trade barriers exist.

NICARAGUA

COUNTRY HIGHLIGHTS	
Capital	Managua
Language	Spanish
Population	3,503,103
Monetary Unit	Gold Cordoba
Inflation Rate	7.7% (6/96-6/97)
Area (square miles)	50,193
Unemployment Rate	21.8% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Nicaragua is the largest of the republics of Central America. It is bounded on the north by Honduras and on the south by Costa Rica. Its eastern border is the Caribbean Sea and the western is the Pacific Ocean. Nicaragua has three distinct regions: the western Pacific lowlands, the central highlands and the eastern Caribbean lowlands or Mosquito Coast. Most of Nicaragua's population and its major cities lie in the Pacific lowlands. In 1991, the federal government began an ambitious economic reform program and solicited substantial aid from foreign economic sources. They were successful and inflation, which had been as high as 750%, has dropped. Nicaragua achieved the highest growth rate in Latin America in 1997. Arnoldo Aleman took office as president January 20, 1997.

AVIATION SECTOR OVERVIEW:

There are three principal international airports in Nicaragua: Managua Cesar Sandino International Airport, Puerto Cabezas International Airport and Montelimar International Airport. Managua's airport recently finished its first phase of renovation, opening a remodeled wing in December, 1997. Modifications included Nicaragua's first passenger loading bridge. The government anticipates an increase in air traffic in part due to an open skies agreement recently signed with the United States. Security at Managua's airport is handled by the national army. FAA rated Nicaragua as a Category III in its last safety assessment.

INDUSTRY TRENDS:

The government plans to request bids for a second phase of renovation for the Managua Airport during 1998. It is estimated that the remodeling should last one year and cost an estimated US$ 6 million. The government also hopes to find funding for an additional stage of renovation which will cost US$ 7 million. In addition, they plan to repave the runway and install radar equipment at the Puerto Cabezas Airport. The government also plans smaller investments at airfields at Corn Island and at Bluefields Airport. The government is also studying the possibility of privatizing the airports and plans to privatize some aircraft handling facilities in the near future. The Ministry of Tourism plans to build and manage several small new airports within the next 3 years at San Juan del Norte, San Carlos and Ometepe Island. The government is seeking donations to finance the control tower equipment for these airports.

ORGANIZATION AND ADMINISTRATION:

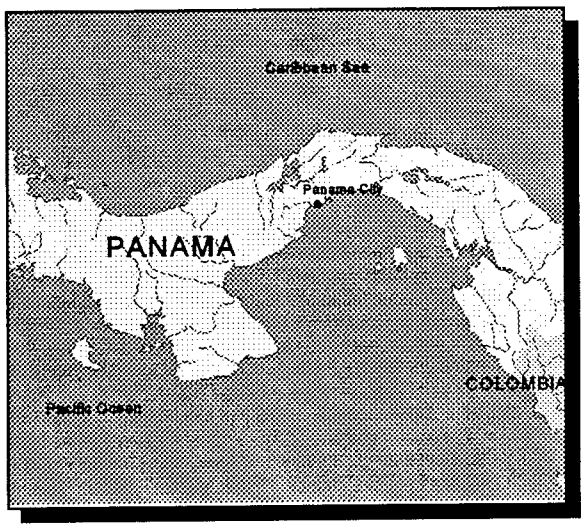
Empresa Administradora de Aeropuertos Internacionales (EAAI) oversees the operations of the Managua, Puerto Cabezas, Bluefields, Corn Island, Siuna and San Carlos Airports. The Minister of Construction and Transportation is president of the company's board of directors but EAAI is an autonomous organization. The **Ministry of Tourism** owns the recently completed Montelimar Airport.

INVESTMENT CLIMATE AND BUSINESS RULES:

The Managuan airport project will be funded by the government of Nicaragua and is limited to Nicaraguan companies although foreign companies can be included in a consortium. Airport procurement is subject to the 1981 Government Procurement Law and subsequent 1991 regulations. This law allows for direct procurement of goods and services worth less than US$20,000 and private bidding for contracts worth US$20,000 - 150,000. Public tenders are required for contracts greater that US$ 150,000.

PANAMA

COUNTRY HIGHLIGHTS	
Capital	Panama City
Language	Spanish
Population	2,373,053
Monetary Unit	Balboa
Inflation Rate	.5% (10/96-10/97)
Area (square miles)	29,761
Unemployment Rate	12.9% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Panama is the southernmost country in Central America and links the Central American isthmus to the South American continent. It is bounded on the north by the Caribbean Sea, on the south by the Pacific Ocean, to the east by Colombia and on the west by Costa Rica. When the Panama Canal opened in 1914, Panama gained international importance as the shortest route between the Atlantic and Pacific Oceans. Although Spanish is the official language, English is widely spoken because of its international traffic. Panama's government is a republic with a president, directly elected by the people, serving a 5 year term. Ernesto Perez Balladares was elected president in May, 1994, and will serve until 1999.

AVIATION SECTOR OVERVIEW:

Tocumen International Airport is Panama's largest airport and serves 35 airlines and approximately 1.2 million passengers per year. Other major airports include Paitilla in Panama City and France Field in Colon. Panama signed an Open Skies agreement in May, 1997 with the United States and also has agreements with Chile and Peru. The FAA has placed Panama in Category I, indicating compliance with international standards regarding safety.

INDUSTRY TRENDS:

Opportunities are good in Panama now and will be in the future due to the privatization process started in mid-1997. There are three major projects under way or due to begin shortly in Panama. Paitilla Airport is to be relocated from downtown Panama City to Albrook Field, on the outskirts of town, a former US Air Force Base. The government is investing $223 million in a new highway and runways. High priced real estate at Paitilla Point, where the existing Paitilla Airport is located, is to be sold off by the government to pay for the improvements. Tocumen Airport is to be privatized as is the France Field Airport, a cargo airport serving the Colon Free Zone. Privatization of Tocumen will be through concession, as the government retains ownership of the airport while a private company handles management and investment responsibilities. The concession will be for a period of 20-30 years and the bid is tentatively scheduled for the last quarter of 1998.

ORGANIZATION AND ADMINISTRATION:

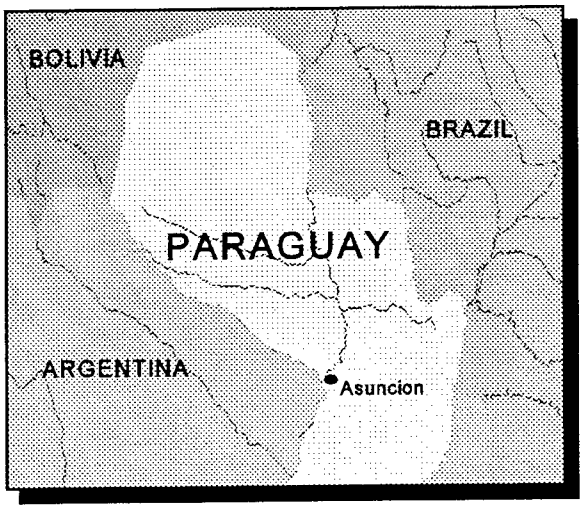
The **Direccion de Aeronautica Civil (DAC)** is the government organization responsible for civil aviation. It is a sovereign authority with a Board of Directors which is headed by the Ministry of Government and Justice, and which includes the Minister of the Treasury, the Comptroller General, the Minister of Commerce and Industry and the Director of DAC, who serves as the Board's Secretary.

INVESTMENT CLIMATE AND BUSINESS RULES:

The administration of Ernesto Perez Balladares has instituted an economic plan designed to reverse rising unemployment and encourage foreign investment, while cutting back the size of the government. Banking and financial services and trade through the Colon Free Trade Zone continue to expand rapidly. The procurement of aviation equipment and supplies falls under the Public Procurement Law No. 55 of December 28, 1995. The process is conducted by the DAC, but supervised by the Ministry of Treasury.

PARAGUAY

COUNTRY HIGHLIGHTS	
Capital	Asunción
Language	Spanish
Population	4,522,172
Monetary Unit	Guaraní (d)
Inflation Rate	6.8% (1997)
Area (square miles)	157,047
Unemployment Rate	11.2% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

The Republic of Paraguay is a land locked country in central South America, bordered by Argentina, Bolivia and Brazil. It is divided into east and west regions by the Paraguay River. More than 90% of the population lives in the east region. Although the official language is Spanish, a majority of the people speak Guarani. Agriculture, forestry and fishing are historically the dominant economic activities in Paraguay. Paraguay is a unitary republic. Under the constitution of 1967, the president and bi-cameral legislature are elected for terms of five years. Raul Cubas Grau, of the Colorado Party was elected president May 1, 1998 replacing Juan Carlos Wasmosy.

AVIATION SECTOR OVERVIEW:

The two principal airports in Paraguay are the Silvio Pettirossi International Airport in the capital city of Asuncion and the Guarani International Airport in Ciudad del Este. Most current news is focusing on the Asuncion Airport. In August, 1997 it was reported that the airport might be shut down if runway improvements were not completed by the end of the year. Secondly, in order to facilitate its plan to become the Mercosur Center of Air Transportation, the government of Paraguay determined that a new air cargo facility should be constructed. The US engineering firm, Woolpert, was retained by the government through a grant from the U.S. Trade and Development Agency to study the preferable location for the new terminal. The study concluded that the terminal should be located at Ciudad del Este because of its superior geographic location, land availability and environment.

INDUSTRY TRENDS:

The government announced in October, 1997, that it planned to approach Taiwan for the technical and financial assistance it needs to complete the US$ 30-40 million upgrading of the Asuncion airport to repair drainage problems and upgrade its radar system. International traffic may be halted at the airport unless these improvements are made. No action was expected on either project until after the May presidential elections.

ORGANIZATION AND ADMINISTRATION:

Civil Aviation is controlled by the **Direccion Nacional de Aeronautica Civil (DINAC)**. **Proparaguay**, the investment promotion agency of the Paraguayan government, is proposing the formation of CeMeTa, which would be the Mercosur Center of Air Transportation. This is a commercial concept aimed to promote air cargo distribution and associated services in the Mercosur region. Proparaguay reports to both the Ministry of Foreign Relations and the Ministry of Industry and Commerce.

INVESTMENT CLIMATE AND BUSINESS RULES:

In 1992 the government reduced its external debt with both commercial and official creditors by purchasing a sizeable amount of the delinquent commercial debt in the secondary market at a substantial discount. The government has paid 100% of its remaining debt to the United States, Germany, France & Spain. Paraguay reaffirmed its commitment as a full member of Mercosur (Southern Cone Common Market), which includes Brazil, Argentina and Uruguay in January, 1995.

PERU

COUNTRY HIGHLIGHTS	
Capital	Lima
Language	Spanish
Population	24,087,372
Monetary Unit	New Sol
Inflation Rate	7.7% (5/96-5/97)
Area (square miles)	496,224
Unemployment Rate	15% (1994)

COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Peru is the third largest country in South America in area and is a country of many contrasts. There are three basic regions: the high mountains or Sierra, the coastal plain, and the Montana, a hot and humid region with the dense vegetation typical of a tropical forest. There are enormous contrasts among the population as well, with extremes of wealth and poverty, urban sophistication and ancestors of the Incas who still live as their forefathers did many hundreds of years ago. Peru is a republic. The president is Alberto Fujimori, who has served two terms since 1990. The next elections will be held in 2000. There is a prime minister but he exercises no executive power.

AVIATION SECTOR OVERVIEW:

Peru has 33 airports and 28 airfields. Over thirty-four airlines operate in Peru. Peru has aviation agreements with 28 countries, including the United States. The government is attempting to keep pace in the aviation sector but lacks an adequate infrastructure for the development of air travel. Few airports in the interior of the country have paved runways. In the montana region, many pilots use float planes to land on the vast river system. Few airports are equipped for night operations and maintenance remains a significant problem. In 1997, the U.S. Trade and Development Agency funded a planning study, completed by Birk Hillman & Associates (U.S.), which identified infrastructure requirements for the four international airports at Lima, Arequipa, Cuzco and Iquitos.

INDUSTRY TRENDS:

In 1996, CORPAC airports handled 1.75 million international passengers and 5.68 million domestic passengers. The percentage of growth for Lima's airport was 117% between 1991 and 1997, making Lima one of the top ten fastest growing airports in Latin America. A new Airports Special Committee formed as a division of the Commission for Promotion and Private Concessions (PROMCEPRI), is promoting the concession of Peruvian airports. The special committee has instituted a plan which includes hiring a strategic consultant, an investment bank and a legal advisor, and other consultants to determine the plan for the airport privatization program. The committee plans to work on its strategy for a period of one year and hopes to attract the interest airport operators worldwide. CORPAC is also upgrading its equipment in air traffic control and training in order to improve safety.

ORGANIZATION AND ADMINISTRATION:

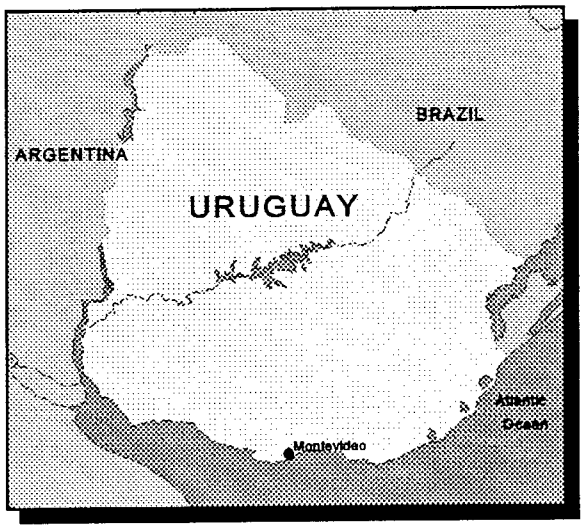
Civil aviation in Peru is controlled by the **Corporacion Peruana de Aeropuertos y Aviacion Comercial S.A. (CORPAC).** CORPAC supervises Peru's 52 airports as well as it air traffic control management and system. CORPAC's income for 1997 is estimated at US$90 million. **PROMCEPRI** was created by Supreme Resolution No. 458-97-PCM, by the government of Peru in order to implement a de-centralization of the government's assets.

INVESTMENT CLIMATE AND BUSINESS RULES:

A 1994 study rated Peru as the fastest growing economy in the world. The Peruvian economy, which suffered greatly from hyper-inflation in the 1980's is now more market-driven and the austerity programs instituted by President Fujimori have resulted in a much improved financial position. Peru's economy and currency are stable and the country has improved as a credit risk in recent years, making private funding for projects highly possible. The Export-Import Bank of the United States and the Overseas Private Investment Corporation are open for business in Peru.

URUGUAY

COUNTRY HIGHLIGHTS	
Capital	Montevideo
Language	Spanish
Population	2,988,813
Monetary Unit	Peso
Inflation Rate	14.5% (1997)
Area (square miles)	68,037
Unemployment Rate	12% (1997)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Uruguay is the smallest country in South America and lies on the southeast coast between Argentina and Brazil. It has many features which distinguish it from the rest of the continent, including its geography which is primarily gently rolling plains and its population which is 90% white. It is also distinctive in that it aligns itself politically with Great Britain, more than any another foreign nation. Almost half of the country's inhabitants live in Montevideo, the capital. Uruguay's economy is agriculturally based and sheep and cattle raising are the backbone of the economy. The government promotes industrialization but is hampered by a lack of minerals.

AVIATION SECTOR OVERVIEW:

The principal airport serving Uruguay is the El Carrasco International Airport in Montevideo. The government commissioned the Italian consulting firm SEA to study two options regarding the airport: the modernization and expansion of the existing facilities or relocation outside the city limits. It was recommended that the airport not be moved and that a new terminal be developed. The government is committed to having the new terminal completed by the first quarter of 2000. The government retained Lufthansa Consulting and Coopers & Lybrand to assist them with the privatization of the terminal. Interested parties were to be pre-qualified by March 30, 1998. In 1993 Uruguay granted a 20-year BOT concession for the Laguna del Sauce Airport in Punta del Este, the country's third largest city and leading tourist destination.

INDUSTRY TRENDS:

Since the Uruguayan Department of Defense receives 30% of their annual income from the Carrasco Airport and the airport is used by both civilian and military air traffic, it is assumed that they will be a key decision maker in the airport's renovation. The government hopes that upgrading the airport will help them with their goal of making Montevideo the financial capital of Mercosur. The government is also looking for new airlines to serve the airport and is prepared to make large financial concessions in order to do so.

ORGANIZATION AND ADMINISTRATION:

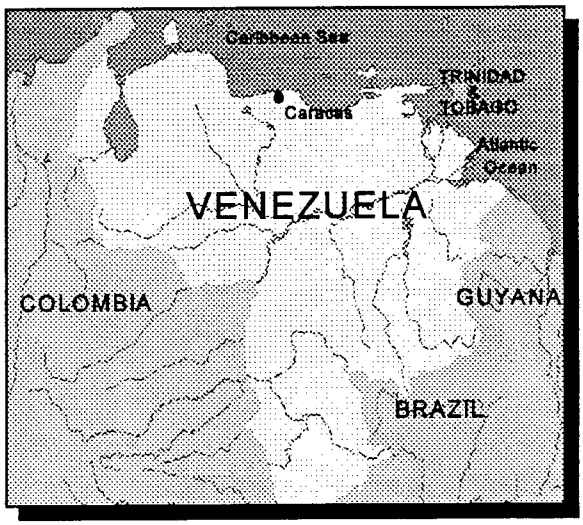
The **Direccion General de Infraestructura Aeronautica (DGIA)** is responsible for airport development and the civil aviation contact is the **Direccion General de Aviacion Civil (DGAC)**. There is no ministry responsible for airports, but the President, elected in 1995, formed an ad-hoc committee composed of the Minister of Transportation and Public Works, the Minister of Defense, Minister of Tourism, Minister of Foreign Affairs and the Chief of Staff of the Presidency, to study the air transportation needs of the country.

INVESTMENT CLIMATE AND BUSINESS RULES:

An information memo for international investors was released at the end of 1997 for the Build-Operate-Transfer (BOT) scheme for the concession of Montevideo's airport. Private sector funding will be required for the $US65 million investment. Uruguay is second behind Argentina as a tourist destination in South America, with over 1.3 million visitors in 1997. This makes it an attractive BOT candidate for investors.

VENEZUELA

COUNTRY HIGHLIGHTS	
Capital	Caracas
Language	Spanish
Population	18,291,134
Monetary Unit	Bolivar
Inflation Rate	37.6% (1997)
Area (square miles)	352,143
Unemployment Rate	9% (1994)



COUNTRY PROFILE

ECONOMIC AND POLITICAL OVERVIEW:

Venezuela is the northernmost country in South America and has a wide variety of geographical features. The first European explorers in 1499 were awed by its beauty and named it "Little Venice." Venezuela is made up of 21 states, 1 federal district, 1 territory and 1 federal dependency. The federal dependency consists of 11 federally controlled island groups with a total of 72 individual islands. It is a petroleum rich country with one of the highest per capita GDP's in South America. The industrial sector has expanded moderately in recent years. The government encourages agriculture growth by removing subsidies and providing credits for mechanization and irrigation and, as a result, the economic picture has improved in the 1990's. Venezuela is a republic led by President Rafael Caldera. The next elections are scheduled to be held in December 1998.

AVIATION SECTOR OVERVIEW:

In 1992, Venezuela de-centralized all government operations, including airports and transferred authority to the states in which they are located. This has created a great amount of turmoil in Venezuela's aviation industry. Some locales have absorbed the airports and improved them, some have created corporations or departments within the local government. Some have turned the airports over to concessionaires, while most are still in the early preparation stages. The need for aviation infrastructure improvements is significant, especially in the areas of fire fighting and navigational aids. The local governments sometimes find it difficult to set aside funds from their budgets for desired improvements at the airports.

INDUSTRY TRENDS:

There are no major airport projects currently underway. The airport in Maiquetia, serving Caracas, is the only airport still under federal government control and it is scheduled to be privatized in the near future. The government tried to do this several years ago but the announcement was not well received by the airport workers who feared losing their jobs. Porlamar International Airport on Margarita Island, Venezuela's prime tourist destination, is looking for a partner to develop a fixed base operations facility for general aviation aircraft. Valencia International Airport, which is operated by a state commission, hopes to develop a cargo facility. New carriers are exerting pressure on state governments to improve their facilities. The federal government continues to be responsible for all ATC facilities and has begun improvements in air-ground telecommunications and control tower systems.

ORGANIZATION AND ADMINISTRATION:

The **Directorate General Sectorial of Air Transport (DGSAT)** is responsible for all aviation-related matters, including air traffic control and all safety and security issues. DGSAT is a division of the Ministry of Transport and Communications. The creation of a separate aviation authority is being considered, however, partially in response to a FAA rating of Category II for the nation's airport system. For the principal airport near Caracas, an autonomous authority has been created called the **Instituto Autonomo Aeropuerto Internacional de Maiquetia (IAAIM).**

INVESTMENT CLIMATE AND BUSINESS RULES:

Companies should contact the individual states and/or municipalities regarding potential services and equipment for the airports within their jurisdiction. Venezuela is a member of the Andean Community, which established free trade between Ecuador, Bolivia, Chile, Venezuela, Colombia and Peru.

OVERVIEW OF AVIATION SECTOR DEVELOPMENT OPPORTUNITIES

This section provides a brief overview of the numerous development opportunities existing in Latin America and the Caribbean region. Detailed information regarding sixteen (16) of the referenced projects have been developed in Section IV, entitled Project Profiles. The projects which are profiled in Section IV have been *italicized* in the following list of project opportunities.

As the following list indicates, there are numerous aviation sector development opportunities in Latin America and the Caribbean region. The projects listed have been identified in the aviation, air traffic management and airport infrastructure sector as part of the research to develop this briefing book. This list is by no means inclusive of all the aviation-related projects currently being developed in the region; however, it does illustrate the substantial activity in the aviation sector in this region. Information on project costs which is not readily available or not currently quantified at this time is indicated as "Unknown".

The sources of research information that were explored to develop this list on aviation sector projects were varied, including reports from the commercial services or economic officers at U.S. embassies and consulates, direct input from civil aviation authorities or air traffic management authorities, industry-trade newsletters and magazines, the Federal Aviation Administration - Office of International Aviation, U.S. Trade and Development Agency, Export-Import Bank, airport consultants, and other related aviation and airport industry trade information. The information provided is this Sector Development Opportunities is based on the Montgomery Consulting Group's best knowledge and belief based on industry research for the 1998 Americas Conference on Aviation Briefing Book. The projects listed in this section are dynamic and U.S. companies should be cautious to changed conditions.

Country	**Project Description**	**Project Cost Information**
Argentina		
	Privatization of 33 Airports-30 year contract	*US$2 billion*
	Investment in 24 Airports in the National Airport System	*US$50 million*
	New Air Traffic Control Equipment	Unknown
Barbados		
	BOT for Grantley Adams Int'l Airport cargo terminal	US$8 million
Belize		
	Improvements to existing infrastructure	Unknown
Bolivia		
	Concession of Airport Management of Santa Cruz, Cochamba and La Paz Airports-25 year contract	US$200 million
	Improvements to minor airports in system	Unknown

OVERVIEW OF AVIATION SECTOR DEVELOPMENT OPPORTUNITIES

Country	Project Description	Project Cost Information
Brazil		
	New airport planned in Curitiba	US$20 million
	Refurbishment of Bahia Airport	US$5.7 million
	Modernization of Air Traffic Management	*US$150 million*
Chile		
	New passenger terminal building at Concepcion Airport	US$15 million
	New airport planned at Copiapo	*US$40 million*
	New airport planned at Temuco	US$25 million
	New passenger terminal planned at Punta Arenas	US$8.5 million
	Concession of New Terminal in Antofagasta	Unknown
	Concession of El Loa Airport in Calama	Unknown
	New Airport planned at La Serena	*US$40 million*
	Concession of Airport in Puerto Montt	Unknown
	Concession of 2nd phase of terminal development at Santiago's Arturo Merino Benitez Airport-15 year contract	US$200 million
	Improvements in CNS/ATM System	Unknown
Colombia		
	Privatization of Cali Airport	Unknown
	Privatization of Medellin Airport	Unknown
	Privatization of El Dorado Airport in Bogota	Unknown
Costa Rica		
	Privatization of Juan Santamaria Int'l Airport	*US$220 million*
	Expansion of terminal building at Daniel Oduber Airport	US$2 million
	Renovations of airport facilities at Tobias Bolanos Airport	Unknown
	Renovations of airport facilities at San Jose Airport	Unknown
	Renovations of airport facilities at Limon Airport	Unknown
Dominican Republic		
	Privatization of Las Americas International Airport	Unknown
Ecuador		
	New international airport in Puembo near Quito	US$300 million
	New international airport in Davlar near Guayaquil	US$300 million
	Development of New Airport in Machala	US$18 million
	Modernization of Air Traffic Control Equipment	*US$13 million*
El Salvador		
	Develop additional terminal at El Salvador Int'l Airport	Unknown

OVERVIEW OF AVIATION SECTOR DEVELOPMENT OPPORTUNITIES

Country	Project Description	Project Cost Information
Guatemala		
	Development of new international airport on south coast	Unknown
	Privatization of airports in Guatemala	*US$30 million*
	Improvements in navigational aids for six smaller airports	US$3 million
Honduras		
	Privatization of Tegucigalpa, San Pedro Sula, Rotan and La Ceiba Airports	*US$30 million*
	Upgrading of navigational aids at airports	Unknown
Jamaica		
	Rehabilitation of Norman Manley Int'l Airport in Kingston	US$45 million
	Privatization of Sangster Int'l Airport in Montego Bay	US$100 million
Mexico		
	Privatization of 35 airports	*US$1 billion*
	Improvements in Air Traffic Management	*US$15 million*
Netherlands Antilles		
	Development for new terminal and airfield at Curacao International Airport	US$50 million
Nicaragua		
	Renovation for the Managua Airport	US$6 million
	Phase II Renovation for the Managua Airport	US$7 million
	Investments at Corn Island and Bluefield Airports	Unknown
	Development of 3 new airports and air traffic control towers at San Juan del Norte, San Carlos and Ometepe Island	Unknown
Panama		
	Privatization of Tocumen Airport	*US$45 million*
	Development of air cargo distribution center at France Field	Unknown
	Redevelopment of Albrook Field	US$223 million
Paraguay		
	Development of Air Cargo Facility at Ciudad del Este	Unknown
	Upgrading of Asuncion airport including radar	US$40 million

OVERVIEW OF AVIATION SECTOR DEVELOPMENT OPPORTUNITIES

Country	Project Description	Project Cost Information
Peru		
	Privatization of Lima, Arequipa, Cuzco, Iquitos & Trujillo	*US$500 million*
	Modernization of Aeronautical Communication System	*US$8 million*
	Acquisition of Secondary Radar for 3 airports	*US$6 million*
	Equipment for transition to GPS	*US$1 million*
	Modernization of Flight Inspection System	*US$1.5 million*
	Modernization of Naional Aeronautical Meteorological System	*US$4.5 million*
	Modernization of Radio Network	*US$4.8 million*
	Modernization of CFR vehicles	US$6.9 million
Puerto Rico		
	Long term lease of Rafael Hernandez Airport in Aguadilla	Unknown
Uruguay		
	Privatization of El Carrasco Int'l Airport in Montevideo	*US$180 million*
	New Radars for Air Traffic Management System	*US$8 million*
Venezuela		
	New international airport for City of Maturin	*US$100 million*
	Privatization to Barcelona International Airport	Unknown
	Privatization of airports in Cumana	Unknown
	Privatization of airports in Puerto Ordaz	Unknown
	Privatization of 3 airports in State of Sucre	Unknown

Another area which has not been addressed in this briefing book, but which offers significant opportunities in the aviation-related sector, is the need to equip the commercial airlines as well as the corporate and general aviation aircraft with the equipment required to operate in the CNS/ATM environment; specifically relating to GPS and DGPS. The opportunity for U.S. firms to participate in the modernization of commercial aircraft fleet is certainly significant as there are numerous commercial air carriers and cargo carriers based in Latin America and the Caribbean.

PRIVATIZATION OF 33 AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Various
Country	Argentina
Type of Project	Privatization
Project Cost	US $2 billion
U.S. Export Potential	US $1 billion
Owner	ORSNA

PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Government of Argentina issued Decree No. 375 dated April 24, 1997 regarding the privatization of the airports in Argentina's National Airport System. Decree No. 16 and Annexes I, II, and III were issued by the Government on January 6, 1998. These decrees created a newly formed Argentine government agency that will oversee the privatization of the airports in the National Airport System and provide oversight to the concessionaire. This agency is called the Organismo Regulador del Sistema Nacional de Aeropuertos (ORSNA).

Through a competitive bid process, the Government of Argentina awarded a 30-year concession to exploit, operate, and administer 33 airports of the National Airport System to a private concessionaire, Aeropuertos Argentina 2000. Aeropuertos Argentina 2000 is composed of Societa per Azioni Esercizi Aeroportuali (SEA), Corporación América S.A., and the Ogden Group.

The existing airports to be transferred to the concessionaire are under the current control of several different agencies including the Fuerza Aérea Argentina, provincial and municipal jurisdictions. The Argentine Air Force (Fuerza Aérea Argentina) will retain control of the management and operation of flight safety, air traffic control, communications, and meteorology.

TECHNICAL DESCRIPTION OF PROJECT:

As part of their contract, Aeropuertos Argentina 2000 is required to make a minimum investment in upgrading and modernizing the facilities at the 33 airports in the concession. The investments for the 33 airports in the Group entitled "Class A" includes:

"CLASS A" INVESTMENTS REQUIRED			
AIRPORT	LOCATION	INVESTMENTS IN IMPROVEMENTS	
		Maintenance (US$)	Capacity (US$)
Aeroparque Jorge Newberry (AER)	Buenos Aires (city)	23,330,000	197,870,000
Ministro Pistarini (EZE)	Ezeiza (Buenos Aieres)	84,072,000	934,129,000
Bahia/Blanca/CDTE, Espora (EPO)	Buenos Aires (province)	17,1447,000	8,311,000
Catamaraca (CST)	Catamaraca	13,351,000	5,550,000
Cataratas del Iguazu (IGU)	Misiones	23,119,000	N/A
Comodoro Rivadavia (CRV)	Chubut	17,911,000	24,405,000
Cordoba (CBA)	Cordoba	41,895,000	N/A
Corrientes (CRR)	Corrientes	11,571,000	1,925,000
Esquel (ESQ)	Chubut	12,567,000	9,809,000
Formosa (FSA)	Formosa	10,862,000	6,662,000
Jujuy (JUJ)	Jujuy	12,043,000	90,000,000
La Rioja (LAR)	La Rioja	19,008,000	3,870,000
Mar del Plata (MDP)	Buenos Aires	17,486,000	15,887,000
Mendoza/El Plumerillo (DOZ)	Mendoza	27,146,000	63,430,000
Neuquen	Neuquen	N/A	N/A
Parana/Gral. Urquiza (PAR)	Entre Rios	10,062,000	111,000,000

"CLASS A" INVESTMENTS REQUIRED (Cont'd)			
AIRPORT	LOCATION	INVESTMENTS IN IMPROVEMENTS	
		Maintenance (US$)	Capacity (US$)
Posados (POS)	Misiones	19,638,000	9,537,000
Resistencia (SIS)	Chaco	16,784,000	130,000
Rio Gallegos (GAL)	Santa Cruz	27,648,000	14,597,000
Rio Grande (GRA)	Tierra de Fuego	16,675,000	14,206,000
Rosario	Rosario	N/A	N/A
Salta (SAL)	Salta	12,190,000	11,259,000
San Carlos de Bariloche	San Carlos de Bariloche	N/A	N/A
San Juan (JUA)	San Juan	14,340,000	130,000
San Luis (UIS)	San Luis	12,463,000	13,257,000
Santa Rosa (OSA)	La Pampa	8,387,000	8,702,000
Santiago del Estero (SDE)	Santiago del Estero	10,910,000	3,574,000
Sauce Viejo	Sauce Viejo	N/A	N/A
Tandil	Tandil	N/A	N/A
Trelew	Chubut	11,958,000	4,931,000
Tucuman (TUC)	Tucuman	13,069,000	N/A
Villa Reynolds	Villa Reynolds	N/A	N/A
Viedma (VIE)	Rio Negro	13,311,000	4,169,000
Total		**474,511,000**	**1,471,240,000**

The Concessionaire is required to make investments to meet future requirements of the air traffic demand. The concessionaire is also required to install, operate and maintain all equipment.

LOCATION OF PROJECT:

The airports are located throughout the country of Argentina. Please see the technical description for the location of the specific airports within the concession.

PROJECT TIMELINE:

The Concessionaire is to prepare a Master Plan for each of the airports within the first 24 months of the concession contract. The transfer of the airports from the government to the concessionaire was to begin by mid-1998 with the initial transfer of the two Buenos Aires Airports, Ezeiza International and Aeroparque as the first to be transitioned. The remaining airports are to be transitioned to the concessionaire over the next 18 months. Details of the transition are being finalized with ORSNA.

EQUIPMENT & SERVICES DEMAND:

There is a great demand for both services and equipment. This is the largest airport privatization project in the world. The investment in the airports includes both maintenance and standard equipment as well as improvements for capacity as is described in the technical description. All types of aviation services and equipment will be needed to provide the infrastructure requirements. In the bid documents ORSNA detailed the improvements to be made by the successful bidder. Each airport has investments required to meet minimum standards and corrective maintenance plus investments required to meet capacity requirements. Typical maintenance projects include repair of airfield pavement markings, renovations to utilities, improvements to distribution systems (telephone, gas, electric, water, sanitary sewer), improvements to fire suppression systems, supplemental improvements to security equipment (CCTV cameras, metal detectors and fencing). Typical capacity projects include lengthening of runways, taxiways and aprons, re-development and expansion of terminal buildings, expansion of cargo terminal, purchase of communication equipment (networks and hand-held units) and expansion of vehicular parking and revenue control system.

BUDGET FOR PROJECT:

In January 1998, the U.S. Trade and Development Agency (TDA) offered to provide funding, in an amount not to exceed US$1 million, for technical assistance to the Government of Argentina in support of the Ogden Corporation's successful bid for the concession to operate 33 airports in Argentina's national airport system.

Under the terms of the contract, investment in infrastructure is expected to be around US $ 2 billion over the 30-year life of the contract.

EXPORT POTENTIAL:

The potential for U.S. exports is quite significant and is expected to be about 50% of the total investment or around US$1 billion of the contract life. With Ogden as a major part of the concessionaire consortium, U.S. services and equipment are expected to be well received.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The reported bid by Aeropuertos Argentina 2000 of US$ 171.12 million beat out a US$ 162 million bid submitted by Impregilo/Ferrostaal/ADP and a US$152 million by Sideco/Exxel Group/Flughafen Frankfurt Main AG. Consortium revenues are anticipated to approach US$ 20 billion over the 30-year concession. The consortium of Aeropuertos Argentina 2000 expects to pay ORSNA over US$ 5 billion in concession fees over the life of the contract.

NEXT STEPS:

Interested U.S. equipment firms and suppliers should contact Ogden Aviation for more information about specific opportunities in Argentina.

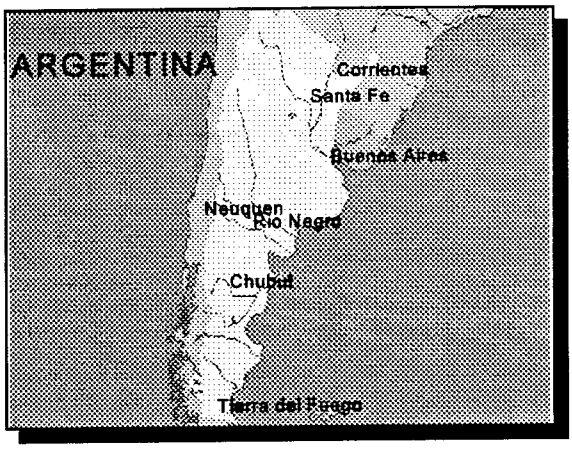
KEY CONTACTS:

David Watson, Senior Vice President
or Pamela Suder, Director of Sales & Marketing
Ogden Aviation Services
2 Pennsylvania Plaza
New York, NY 10121
Tel: 212-868-6957
Fax: 212-868-5895

Mr. Michael Liikala, Senior Commercial Officer
American Embassy, Buenos Aires, Argentina
Tel: 011-541-777-4533
Fax: 011-541-777-0673

INVESTMENT IN 24 AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Various
Country	Argentina
Type of Project	Infrastructure
Project Cost	US $50 million
U.S. Export Potential	US $20 million
Owner	ORSNA



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Government of Argentina issued Decree No. 375 dated April 24, 1997 regarding the privatization of the airports in Argentina's National Airport System. Decree No. 16 and Annexes I, II, and III were issued by the Government on January 6, 1998. These decrees created a newly formed Argentine government agency that will oversee the privatization of the airports in the National Airport System and provide oversight to the concessionaire. This agency is called the Organismo Regulador del Sistema Nacional de Aeropuertos (ORSNA). The Argentine Air Force (Fuerza Aérea Argentina) will retain control of the management and operation of flight safety, air traffic control, communications, and meteorology.

TECHNICAL DESCRIPTION OF PROJECT:

One of the responsibilities of ORSNA is to determine the investments required for the airports which are outside of the concession contract. USTDA is funding a study for ORSNA to provide an inventory of the remaining 24 airports outside of the Concession Contract to determine the most critical needs of these airports and prioritization of those needs in a capital improvement plan to assist ORSNA in identifying priorities of critical investments programs. The assessment will identify improvements to meet existing needs, Argentine regulations and criteria of ICAO.

The airports included are as follows (airports are in no specific order):

No.	Airport	Name	Province
1	Bahia Blanca	Comandante Espora	Buenos Aires
2	Don Torcuato	Internacional Don Torcuato	Buenos Aires
3	Junin	Junin	Buenos Aires
4	La Plata	La Plata	Buenos Aires
5	Necochea	Necochea	Buenos Aires
6	Santa Teresita	Santa Teresita	Buenos Aires
7	Tandil	Tandil	Buenos Aires
8	Villa Gesell	Villa Gesell	Buenos Aires
9	Huinca Renaco	Huinca Renanco	Cordoba
10	Laboulaye	Laboulaye	Cordoba
11	La Cumbre	La Cumbre	Cordoba
12	Corrientes	Corrientes	Corrientes
13	Paso de los Libres	Paso de los Libres	Corrientes
14	Trelew	Almirante Zar	Chubut
15	Concordia	Com. Pierrestegui	Entre Rios
16	Cutral-co	Cutral-co	Neuquen
17	Neuquen	Neuquen	Neuquen
18	San Martin de los Andes	Chapelco	Neuquen
19	General Roca	General Roca	Rio Negro
20	Tartagal	Gral. Enrique Mosconi	Salta
21	Lago Argentino	Lago Argentino	Santa Cruz
22	Rosario	Internacional Rosario	Santa Fe
23	Santa Fe	Sauce Viejo	Santa Fe
24	Ushuaia	Almirante Berisso	Tierra del Fuego

LOCATION OF PROJECT:

The airports are located throughout the country of Argentina.

PROJECT TIMELINE:

The USTDA-funded study is anticipated to begin around August and last approximately seven months. The study will then prioritize the investments for the remaining projects for the short term (0-3 years) improvements.

EQUIPMENT & SERVICES DEMAND:

Equipment and services anticipated to bring the 24 airports into compliance with Argentine and ICAO standards are anticipated to concentrate on areas such as safety and security improvements to navigational aids and airfield lighting. Safety and security projects may include fencing, closed circuit televisions, access control systems, fire trucks and other equipment necessary to meet current standards. Navigational aids may include precision approach path indicators (PAPI), runway end identification lights (REIL), beacons and equipment for precision and non-precision approaches. Airfield lighting may include runway, taxiway and apron lighting, security lighting and approach lighting systems.

BUDGET FOR PROJECT:

The budget for the USTDA-funded study is US$288,000. Based on the individual needs for each airport, a comprehensive capital improvement plan with investment requirements and a prioritized list of the specific improvements in descending priority for the 24 airports system will be provided by the study. Specific investment figures are not known at this time. However, it is expected that a minimal investment of US$ 50 million could be expected.

EXPORT POTENTIAL:

The potential for U.S. exports is expected to be about 40% of the total investment or around US$20 million. Exports from the U.S. are most likely in the categories of security equipment, navigational aids and airfield lighting. Civil site improvements are expected to be accomplished by local labor forces. U.S. firms may also be able to offer technology-transfer services.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The consortium of Aeropuertos Argentina 2000, the concessionaire for 33 of the airports in the Argentine national airport system, expects to pay ORSNA over US$5 billion over the life of the contract. Thus, financing for the investment for the remaining airports is expected to come from these revenues.

NEXT STEPS:

Interested U.S. equipment firms and suppliers should contact ORSNA for more information about specific opportunities to provide equipment and services for these airports.

KEY CONTACTS:

Dr. Rodolfo Barra, Presidente
or Dr. Arturo Antonio Puricelli, Vicepresidente
Organismo Regulador del Sistema
Nacional de Aeropuertos (ORSNA)
Paseo Colon 185, piso 4
(1310) Buenos Aires, Argentina
Tel: 011-541-349-8398
Fax: 011-541-349-8415

Mr. Michael Liikala, Senior Commercial Officer
American Embassy, Buenos, Argentina
Tel: 011-541-777-4533
Fax: 011-541-777-0673

MODERNIZATION OF AIR TRAFFIC CONTROL EQUIPMENT

PROJECT HIGHLIGHTS	
Project Location	Various Locations
Country	Brazil
Type of Project	Air Traffic
Project Cost	US $150 million
U.S. Export Potential	US $50 million
Owner	SRPV

PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

In 1941, the Diretoria de Electronica e Protecao ao Voo (SRPV) was created to provide an integrated civilian and military air traffic management (ATM) system. Their function, under the Ministry of Aeronautics, is to provide for air traffic management, air traffic control, flow management, climatology and meteorological services for aeronautical reporting. The SRPV is responsible for the country's six (6) area control centers (ACC) located in Belem, Manaus, Porto Velho, Recife, Brasilia and Cortiba. They are also directly responsible for management of numerous approach control centers (APP) and air traffic control (ATC) towers at airports throughout the country. Empresa Brasiliera de Infra-Estructura Aeroportuaria (INFRAERO), the Brazilian Infrastructure Company, operates some of the APP's and ATC's. However their operations are governed by the standards established by SRPV. The Brazilian air traffic management approach is an integrated system, including both civilian and military air traffic management. Since many of the airports are joint-use (civilian/military) facilities, this integrated system has worked well. The majority of the staff at SRPV are military (similar to Air Force) but work under the Ministry of Aeronautics.

TECHNICAL DESCRIPTION OF PROJECT:

The SRPV is responsible for the planning and development of the country's air traffic management system. Brazil is very close in size to the continental United States, but its traditional air traffic management system is much smaller. As an example, Brazil has fewer than 100 VOR's in its system and only 25 instrument landing systems (ILS).

SRPV has committed to the modernization of its system in a CNS/ATM environment. However, in addition to the future technology required for this modernization approach, SRPV also wants to improve their traditional air traffic management system. The traditional ATM improvements would be used as a back-up system when the new GPS-based ATM system becomes operational.

Brazil's approach to modernize its navigational system to a satellite-based system (GPS) is to concentrate initially on development of a Local Area Augmentation System (LAAS). SRPV indicted that this would be their first step in the transition to GPS usage, eventually followed by a Wide Area Augmentation System (WAAS). Brazil's domestic traffic accounts for 90% of the total operations, thus SRPV has decided to take the initial step using a LAAS approach rather than a WAAS approach. SRPV indicated that it does not have extensive en-route traffic. Average annual air traffic growth is predicted to be around 8% for the country; however, between Sao Paulo and Rio de Janeiro, average annual growth is expected to be as high as 16%.

SRPV intends not to stay with an exclusive LAAS approach, but will eventually transition to WAAS. SRPV is currently exploring the possibility of having some dual-use ground stations capable of providing both WAAS and LAAS technologies. SRPV has contracted with Honeywell (U.S.) for a research and development project to establish a GPS LAAS-based approach. This research and development project has been on-going for more than two years at SRPV's research facility located outside Sao Paulo. No conclusion date was specified for this program.

Also, the SIVAM project, a US$1.4 billion for modernization of air traffic control, communications, radars and surveillance facility in Brazil's Amazon region, being provided by Raytheon, will push SRPV to increase modernization efforts in other regions of the country. SRPV has indicated an interest in the development of a national air traffic management control center to coordinate the functions of the numerous CNS/ATM elements.

LOCATION OF PROJECT:

Improvements are expected to be carried out throughout Brazil. However, since the SIVAM project is already focusing on the Amazon regions, improvements to ATM are expected in other areas of Brazil.

PROJECT TIMELINE:

No specific timeline was provided for the GPS-LAAS implementation. This project remains in the research and development stage. SRPV has developed a 20-year strategic plan which identifies a rough timeline for transitioning to a CNS/ATM environment. Rough estimates include investments in "traditional" ATM equipment during the next 5 years while focusing on a strategic plan for transition to a satellite based system. In about eight years, SRPV predicts focusing on the modernization program to provide a homogeneous system.

EQUIPMENT & SERVICES DEMAND:

SRPV's approach to the transitioning to a CNS/ATM environment while also upgrading its traditional ATM equipment, provides substantial opportunities for U.S. companies. Equipment purchases, such as radars, VOR's, ILS', are anticipated to continue. As well, improvements in the telecommunications area, including digital communications, are being implemented. Upgrading and modernization of equipment to match the level of technology provided in the SIVAM project is expected within the next eight years.

BUDGET FOR PROJECT:

SRPV estimates that expenditures for modernization and transition of Brazil's Air Traffic Management System will require over U$50 million per year for the next twenty years. In its strategic plan, SRPV estimates the following infrastructure investments:

Period	Required Investment
1998 - 2003	US$655 million
2004 - 2010	US$950 million
2011 - 2020	US$2.47 billion

EXPORT POTENTIAL:

U.S. companies should be well received in exports for the traditionally based ATM equipment. Also, since U.S. firms are already involved in Brazilian development of the SIVAM project and the LAAS research project, export potential for new technology supporting CNS equipment should also be well received. Based on a 3-year budget of US$150 million in ATM investment, U.S. export potential is estimated at US$50 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

SRPV receives some operating revenues from the general fund, but the majority of its budget is directly derived from the user fees for the air traffic system. Money for investment to improve and modernize the current ATM system is very difficult at this time since the majority of the budget is used to maintain and operate the existing system. It is expected that much of the investment required to provide a modern ATM system will need to be financed through multi-lateral agencies. The SIVAM project, for example, was financed through loans from the Export-Import Bank. Short term credit from suppliers may also be used.

NEXT STEPS:

Companies interested in submitting proposals to SRPV are advised to work through, and coordinate closely with the FAA. SRPV has an excellent working relationship with FAA's Office of International Aviation. Smaller scale or uncomplicated projects (i.e. purchase of singular ILS system) are decided by SRPV's Technical Director. Larger, complicated projects (i.e. SIVAM project) are given over to the Air Space Control System Implementation Commission. Purchases made must follow Brazilian government procurement laws which establish an open competitive process for major government procurements. Price is the determining factor for most procurements.

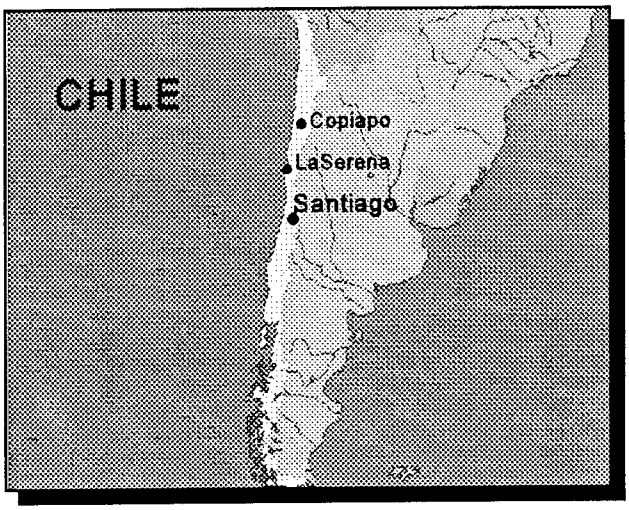
KEY CONTACTS:

Maj. Brigadier Do. Ar Normando Arav de Medeiros, Director General
or Brigadier Do. Ar Washington Machado, Director of Operations
or Lt. Colonel Franklin Hoyer, Subdirector of Operations
or Brig. Paulo Roberto Cardosa Vilarinho
Diretoria de Electronica e Protecao ao Voo
Praca Sendor Salgado Filho, S/No
Aeropuerto Santos Dumont - 4 andar
Ala Norte 20021-340
Rio de Janeiro - RJ, Brazil
Tel: 011-55-21-220-2365 or 212-5241
Fax: 011-55-21-212-5233

Ms. Renata d'Almeida, Aviation Specialist
American Embassy, Brasilia, Brazil
Tel: 011-55-61-321-7272
Fax: 011-55-61-225-9136

NEW AIRPORTS IN COPIAPO AND LA SERENA

PROJECT HIGHLIGHTS	
Project Location	Copiapo and La Serena
Country	Chile
Type of Project	Privatization
Project Cost	US $80 million
U.S. Export Potential	US $20 million
Owner	DGAC



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Direccion General de Aeronautica Civil (DGAC) is responsible for the National System of Airports and Air Navigation in Chile. DGAC is also responsible for airport safety and security, airport personnel, airport registration and meteorological services. Chile's air traffic is growing rapidly. The government has implemented a concession program to attract private sector participation and financial resources to meet the needs of the growing demand at airports. The Ministry of Public Works (MOP) is the government agency responsible for granting airport concessions.

The DGAC, through the MOP, is planning on awarding separate concessions for the development of new airports in:

(1) cities of Copiapo and Caldera
(2) city of Serena.

TECHNICAL DESCRIPTION OF PROJECT:

New Airport for Copiapo and Caldera:

Due to the restrictions in airspace constraining the further development of the existing airport in the city of Copiapo, the DGAC is planning the development of a new airport that will meet the existing and future demand of the area. The new airport must also meet the demands of the city of Caldera, located about 30 km away from Copiapo, near the Pacific coast.

The existing airport in Copiapo had the following passenger and cargo traffic in 1997:

Passenger Traffic:	Arrivals:	64,769
	Departures:	68,254
	Total:	133,023
Cargo Transported:	Arrivals:	87,647 kg
	Departures:	26,302 kg
	Total:	113,949 kg

New Airport at La Serena

The DGAC is planning for the development of a new airport in the city of La Serena to replace the existing airport which is limited by a lack of available land from further growth. A new airport is to be developed which would meet the existing demand as well as provide opportunities for expansion to meet future forecasts. The new airport will need to service the needs of the city of La Serena, located about 30 km away.

The existing airport at La Serena had the following passenger and cargo traffic in 1997:

Passenger Traffic	Arrivals:	93,507
	Departures:	92,869
	Total:	186,376
Cargo Transported:	Arrivals:	71,059 kg
	Departures:	49,172 kg
	Total:	120,231 kg

Both projects generally consist of the development of the same elemental features, including: construction of a runway and associated installations required to support the activities of a Boeing

737 or similar type aircraft. The facilities will also include required equipment to accommodate both night time and instrument operations. Also included in these projects will be considerations for the construction of aircraft aprons, roadway access, technical and administrative buildings, control towers and passenger terminals with equipment to accommodate arrivals and departures.

LOCATION OF PROJECT:

The new airport for the cities of Copiapo and Caldera is located in the northern portion of Chile. The new airport for the city of La Serena is to be located in the north-central portion of Chile, along the coast.

PROJECT TIMELINE:

The DGAC has not yet conducted the studies to determine the meteorological conditions necessary to determine the layout for the proposed development elements of the two airports. It is expected that they will begin those studies in the near future. Planning is underway by the DGAC for the new airport in Copiapo and the call for tenders is expected around 2000. The call for tenders for the new airport in La Serena is also expected in 2000.

EQUIPMENT & SERVICES DEMAND:

Services for both projects are to include siting studies, environmental impact studies and detailed planning. The construction of civil related works for the runway, taxiways, apron and roadways are expected. Runway and taxiway lighting, as well as navigational aids, are expected for both of these projects. The new terminal buildings will require safety and security equipment, baggage claim equipment and flight information displays.

BUDGET FOR PROJECT:

Preliminary budgets developed by DGAC indicate an investment for each new airport of US$40 million for a total investment in new airports of US$80 million. The budgets are to include the development of the airfield as well as the terminal and control tower buildings.

EXPORT POTENTIAL:

The civil-related construction is anticipated to be done with local labor forces. However, export potential for lighting, signage and navigational aids for the airfield is anticipated. Also, U.S. exports for the new terminal buildings are expected to be high. Of the total cost for both new airports, approximately US$20 million is estimated in U.S. export potential made up of the categories noted in the Equipment and Services Demand section.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

For both projects, the MOP plans to award separate concessions for the development of the airports. The concessionaires are to be responsible for the administration of the passenger and cargo terminals as well as the aviation and non-aviation-related commercialization of the airport. The services for air traffic, safety and security will remain the responsibility of the DGAC.

NEXT STEPS:

U.S. companies should register their interest with the MOP Airport Concessions as soon as possible to receive more information about the bid procedures. Information regarding the evaluation of proposals will be presented in the tender documents. The MOP will be the key decision maker in the award of the concession. Bidders for either project will need to demonstrate their economic capacity, experience in airport planning and design and exploitation/commercialization of airports.

KEY CONTACTS:

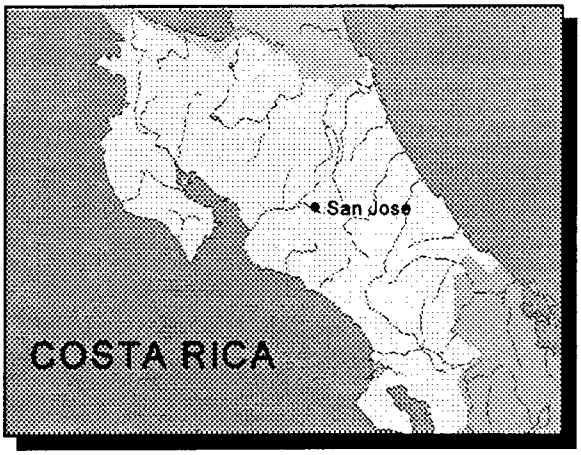
Jose Manuel Sanchez Cvitanic, Subdirector of Projects and Organizational Development
Direccion General de Aeronautica Civil (DGAC)
Miguel Claro 1314
Santiago de Chile
Tel: 011-562-205-0972
Fax: 011-562-209-5232

Guillermo Dietrich, Jefe Ejecutiva Concesiones Aeroportuarios
Ministerio de Obras Publicas (MOP)
Coordinacion General de Concesiones Aeroportuarios
Merced 753-Piso 9
Santiago de Chile
Tel: 011-562-361-3623
Fax: 011-562-361-3717

Mr. Carlos F. Poza, Senior Commercial Officer
U.S. Embassy, Santiago, Chile
Tel: 011-562-232-2600
Fax: 011-562-330-3710

PRIVATIZATION OF JUAN SANTAMARIA INT'L AIRPORT

PROJECT HIGHLIGHTS	
Project Location	San Jose
Country	Costa Rica
Type of Project	Privatization
Project Cost	US $220 million
U.S. Export Potential	US $75 million
Owner	DGAC



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Juan Santamaria International Airport (AIJS) is the principal airport of Costa Rica's three international airports and is located about 11 miles from the capital city of San Jose. The airport serves both international and domestic passengers and provides for air cargo services and other aviation activities. Air service is provided to 45 destinations from 20 commercial airlines regularly serving the airport. The United States and Costa Rica have recently implemented an "Open Skies" policy.

Over the last ten years annual growth at AIJS has been 10.9%. The total number of passengers in 1997 was 1.8 million, making AIJS the busiest airport in Central America. Cargo traffic has had an average annual growth rate of 12.5% over the last decade. Cargo volume in 1997 was 110 million tons. Over 75% of the cargo is transported by cargo airlines. The Direccion General de Aviacion Civil (DGAC), the current owner and operator of the airport, estimates annual future passenger growth at 5.1% and cargo growth at 5%. Based on these assumptions, by 2010 passenger traffic is forecast to be 4 million and cargo volume is forecast to be 210,000 metric tons.

PROJECT PROFILE PRIVATIZATION OF JUAN SANTAMARIA INT'L AIRPORT

TECHNICAL DESCRIPTION OF PROJECT:

In order to meet the expected demand of the airport while minimizing the impact to rates and charges, the DGAC wants a solution that integrates operating efficiencies while allowing for capital improvements for needed facilities. Thus, the DGAC is looking for a private operator for the Juan Santamaria International Airport to operate, administer and manage the terminals for passengers and cargo, landside and airside services, finance and construct required infrastructure and provide technical assistance to the DGAC.

Management of air traffic control is not to be included in the concession and will remain the responsibility of the DGAC. After the privatization contract has been awarded, the DGAC may begin future studies to define the requirements for a new airport. The privatization plan formed by the DGAC was based on a report developed by TAMS (USA) with financing from the USTDA. This plan also looked at the site selection for a new airport.

LOCATION OF PROJECT:

The Juan Santamaria International Airport is located about 11 miles outside the capital city of San Jose. San Jose is located in the central part of Costa Rica.

PROJECT TIMELINE:

The Public Works Ministry, through the DGAC, advertised for international private sector proposals on April 15, 1998. Offers are to be received by the DGAC in September, 1998. The tender for the airport is for a duration of 20 years.

EQUIPMENT & SERVICES DEMAND:

Facilities improvements required by the private concessionaire selected to operate the Juan Santamaria International Airport during the first few years of the 20-year contract are substantial. Equipment improvements and modernization for both passenger and cargo terminals are expected. Likely equipment demand includes passenger loading bridges, audio equipment, management information systems, flight information displays, public address systems, high impact carpet, conveyor systems for luggage, climate control systems, X-ray machines, magnetometers, elevators and other terminal features.

BUDGET FOR PROJECT:

The investment over the 20-year concession contract in the Juan Santamaria International Airport is expected to be US$220 million. Approximately US$90 million is to be invested during the first 4 years of the contract. Following is a breakdown of the project costs:

Juan Santamaria Project Cost Breakdown	
Buildings (terminal expansion, cargo terminal)	US$82.6 million
Terminal equipment and boarding bridges	US$20.32 million
Pavement (runways, ramps and parking areas)	US$101.6 million
Others (expropriations, construction of associated facilities)	US$19.3 million
Total	**US$223.82 million**

EXPORT POTENTIAL:

The potential for U.S. companies to participate in managing, operating, financing and expanding the airport is significant. In addition, U.S. firms should have good prospects for providing equipment and services to the selected concessionaire. Of the US$220 million investment anticipated over the 20-year contract, U.S. export potential is estimated at US$75 million. The procurement costs associated with terminal equipment and boarding bridges and much of building inputs are expected to be imported. In the first stage of the terminal expansion (US$18.7 million), about US$2.7 million of the expansion budget has been allocated to the temporary importation of machinery and other equipment, i.e. baggage carousels, air conditioning units, electricity generators, pumps and other electronic and mechanical equipment. The airport modernization project requires a significant investment in computer systems to assure certain quality of service standards. Of these, import potential would exist for atomization systems for the cargo terminal (which will operate as a through-put system), accounting and cost control systems, quality of service control systems (on a level with TQM or ISO 9000 standards), security cameras and other systems. It is envisioned that these systems will be imported.

PROJECT PROFILE PRIVATIZATION OF JUAN SANTAMARIA INT'L AIRPORT

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The concessionaire is anticipated to provide financing for the investment required for the airports. The selected private operator will be compensated via a percentage share of the gross income less a designated reserve fund to the DGAC for the maintenance of the National Airport System. To assist U.S. companies, the Export-Import Bank and OPIC are open for business in Costa Rica. The project is to be awarded based on technical and economic proposals, including the percent of income sharing and commitment to efficiency. There are no restrictions on foreign participation.

NEXT STEPS:

Interested operators will need to contact the DGAC for the deadlines for proposals. Minimum qualifications include: (1) experience in international airport operations and management of an airport; (2) experience in operating, managing and maintaining airside and landside and terminal components of an entire airport outside their home airport; (3) experience in planning, design and infrastructure development at an international airport requiring at least US$75 million in investment.

KEY CONTACTS:

Lic. Orlando Heilbron, Director de Aviacion Civil
Tel: 011-506-231-3280 or 220-2365
Fax: 011-506-231-2107
or Manuel Emilio Garcia, Director General
Tel: 011-506-231-3666
Fax: 011-506-231-2107
Direccion General de Aviacion Civil (DGAC)
San Jose, Costa Rica

Mr. C. Franklin Foster, Senior Commercial Officer
U.S. Embassy, San Jose, Costa Rica
Tel: 011-506-220-3939 or 220-2454
Fax: 011-506-231-4783

MODERNIZATION OF AIR TRAFFIC CONTROL EQUIPMENT

PROJECT HIGHLIGHTS	
Project Location	Various Locations
Country	Ecuador
Type of Project	Air Traffic
Project Cost	US $13 million
U.S. Export Potential	US $13 million
Owner	DAC

PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Ecuadorian Direccion de Aviacion Civil (DAC) is responsible for the 25 airports in the national system. The two primary international airports are in Quito and Guayaquil. The DAC plans, regulates and controls civil aviation in the country. DAC also carries out the construction, operation and maintenance of airport projects.

The Electronic Engineering Division is responsible for the planning, operation and maintenance of air traffic control equipment for the DAC. Many of the existing navigational aids throughout the country, including instrument landing systems (ILS) and conventional radio-based (VOR/DME) equipment, have exceeded their useful life and need to be upgraded and/or replaced. In addition, there is a need to increase the number of navigational aids to supplement the existing air traffic control system. The DAC is planning to supplement the system using additional radio-based navigational equipment.

TECHNICAL DESCRIPTION OF PROJECT:

The Electronic Engineering Division of the DAC has identified seven projects for modernizing the Ecuadorian Air Traffic Control System. These include the following:

Number	Location	Equipment Needs
1	Guayaquil Airport	Modernization of ILS System
2	La Puntilla - Guayaquil	New VOR/DME
3	Condorcocha - Quito	New VOR/DME
4	Latacunga Airport	New ILS
5	San Cristobal Airport	New VOR/DME
6	Esmeraldas Airport	Runway Lighting
7	Guayaquil Airport	Radar

LOCATION OF PROJECT:

The new air traffic equipment would be located throughout the country of Ecuador, as noted in the technical description. Guayaquil is located in the southern portion of Ecuador. Quito, the capital of Ecuador, is located in north-central Ecuador. The Latacunga Airport, located in the city of Latacunga, twenty-five miles to the south of Quito, is an alternative airport to Quito. The San Cristobal Airport is the airport which serves the Galapagos Islands. Esmeraldas is located in northern Ecuador near the Pacific Ocean.

PROJECT TIMELINE:

The DAC has indicated the following time frame for international tender for each of the seven projects referenced above.

Project	Location	Timeline
1	Guayaquil Airport	1998 - 1999
2	La Puntilla - Guayaquil	1998 - 1999
3	Condorcocha - Quito	1998
4	Latacunga Airport	1998
5	San Cristobal Airport	1998
6	Esmeraldas Airport	1999
7	Guayaquil Airport	1999 - 2000

EQUIPMENT & SERVICES DEMAND:

The demand for equipment was noted in the technical description. No demand for services was detailed by the DAC for these projects.

BUDGET FOR PROJECT:

The DAC has estimated the following budgets for each of the seven projects:

Project	Location	Budget
1	Guayaquil Airport	US$ 600,000
2	La Puntilla - Guayaquil	US$ 600,000
3	Condorcocha - Quito	US$ 500,000
4	Latacunga Airport	US$ 500,000
5	San Cristobal Airport	US$ 500,000
6	Esmeraldas Airport	US$ 300,000
7	Guayaquil Airport	US$10,000,000
	Total Budget	US$13,000,000

EXPORT POTENTIAL:

It is expected that all equipment will be imported into Ecuador. U.S. companies provide this type of equipment, thus the potential export value is US$13 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The DAC has indicated that they plan to finance this equipment directly through their internal budget. The Export-Import Bank is open for business in Ecuador and they serve as an option for financing some of the equipment demand for the project.

NEXT STEPS:

All firms interested should contact the Electronic Engineering Division of the DAC to register their interest. Tenders for this equipment are expected to be announced internationally.

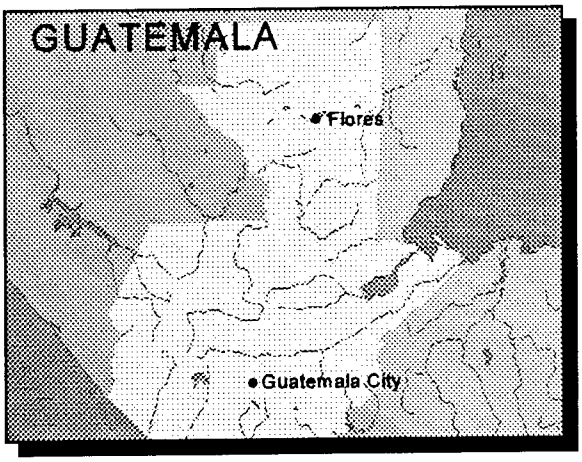
KEY CONTACTS:

Brigadier General Marcelo A. Moscosoto T., General Director of Civil Aviation
Buenos Aires 149 y 10 de Agosto
Quito, Ecuador
Tel: 011-5932-22-3179
Fax: 011-5932-56-3995

Ms. Janice A. Corbett, Senior Commercial Officer
U.S. Embassy, Quito, Ecuador
Tel: 011-593-256-1404
Fax: 011-593-250-4550

PRIVATIZATION OF GUATEMALA AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Guatemala City
Country	Guatemala
Type of Project	Privatization
Project Cost	US $30 million
U.S. Export Potential	US $18 million
Owner	DGAC



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Guatemalan Civil Aviation Directorate (DGAC) is the operator and developer of the eight (8) airports in Guatemala. With the implementation of a new civil aviation law, approved in December, 1997, the DGAC is now a semi-autonomous administrative and regulatory agency. Previously, the DGAC was controlled by the Ministry of Communications, Transportation and Public Works. The January 1997 Peace Agreement ended a 36-year internal conflict. The 1997 Civil Aviation Law has contributed to significant increases in air traffic.

With the implementation of the new Civil Aviation Law, the DGAC plans to offer private concessions for the operations, maintenance and expansion of some of the eight airports in the Guatemalan aviation system. La Aurora International Airport and the airport at Flores, in Peten, are currently the only international airports serving Guatemala. La Aurora is the airport for the capital city and Flores

is located close to the Mayan ruins in the Tikal Rainforest. The airport in Santa Elena plus several "airstrips" are to be considered in the privatization process. Though the goal of the DGAC is to have the airports privately managed and operated, they plan to retain control of air traffic management activities.

TECHNICAL DESCRIPTION OF PROJECT:

The plan for economic development in Guatemala is largely based on significant growth in the non-traditional agricultural export industry (flowers, berries, high-value seasonal vegetables and other air-shipped products) and tourism. Thus air services, particularly air cargo service is important to carry out the economic development plan for exports out of Guatemala.

Since the beginning of 1997, U.S. based carriers have doubled the number of flights to and from Guatemala. This is viewed as a positive result of the 1997 Civil Aviation Law. Although the existing terminal at La Aurora International Airport recently underwent cosmetic improvements, the facilities are inadequate for supporting Guatemala's air service needs.

Several plans for re-development are being considered at La Aurora International Airport. One possibility for expansion being considered by the DGAC is the development of a new international terminal on the current military side of the airport. In this case, the existing terminal would be devoted to general aviation, domestic service and cargo operations. DGAC has indicated that even the second option of expanding the existing terminal would require new cargo facilities plus at least another six to eight aircraft gates.

The aviation privatization program contemplated by the DGAC anticipates private concessions for the maintenance, operation and expansion of the eight airports. It is not known if the airports would be concessioned separately or in packages. Some additional regulations detailing the privatization program are still pending regarding the following areas: length of concession, percentage of foreign ownership, infrastructure to be included with concessions and the packaging of small and large airports.

There have been indications that the La Aurora International Airport, located in Guatemala City may be concessioned initially because of its size and importance. DGAC officials have indicated that the airports at Santa Elena and Puerto Barrios may be concessioned next. Some improvements to La Aurora International Airport by DGAC have already been undertaken, such as the installation of new Instrument Landing Systems (ILS) and Very high frequency Omni-Range (VORs).

It is anticipated that three types of concessions may be offered, including: (1) operational; (2) auxiliary; and (3) non-aviation related. The operational concessions will have responsibility for operating the airfields and terminals, including security. The auxiliary concessions will have responsibility for managing services including aircraft ground handling and maintenance. The non-aviation related services will have responsibility for the remaining functions, including parking, food and beverage and retail.

LOCATION OF PROJECT:

The eight airports are located throughout the country of Guatemala. The La Aurora International Airport is the largest airport and is in the capital of Guatemala City, located in central Guatemala. Other airports being considered include Flores, Santa Elena, Puerto Barrios and four airstrips located throughout the country.

PROJECT TIMELINE:

The Guatemalan Ministry of Communications, Transportation, Public Works and Housing is working to create options for potential concessionaires. The DGAC is hoping to complete the concession process within the next eighteen months so that it is completed by year end 1999.

EQUIPMENT & SERVICES DEMAND:

In addition to the privatization process which the DGAC is actively working to define, they have been investing in the modernization of the six smaller airports and airstrips around the country. This modernization is currently underway. The second phase of the modernization program will include purchase of new equipment for navigational aids, including telecommunication equipment, instrument landing systems, VOR's and other air traffic control systems.

Substantial improvements are expected at La Aurora International Airport related to the terminal building expansion. Equipment demand for the terminal building is likely to include loading bridges, audio equipment, thermoglass panels, conveyor systems for luggage and cargo, back-up generators, carpeting, elevators, escalators, transformers and other terminal-related accessories.

BUDGET FOR PROJECT:

No specific investment for the privatization of the eight airports has been released. Minimal estimates for the investment required for the eight airports is US$30 million, although a specific investment plan for each of the airports to be privatized is not yet available.

EXPORT POTENTIAL:

The potential for U.S. exports is significant, specifically in the areas of navigational aids and terminal improvements. Approximately US$18 million is expected to be needed for the improvements to the infrastructure related to the privatization of the Guatemalan Airports.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The government has been funding the recent improvements to the navigational systems at La Aurora International Airport for the new ILS and VORs. However, it is anticipated that the concessionaire will be responsible for financing the improvements required as part of the privatization on the airports. No details are available on the structure of the concession revenue plan.

NEXT STEPS:

Interested firms should register their interest in the privatization process with both the Ministry of Communications, Transport and Public Works and the DGAC.

KEY CONTACTS:

Jorge Franco, Vice Minister of Transportation
Ministerio de Comunicaciones, Transporte y Obras Publicas
Aeropuerto Internacional La Aurora, Zona 13
01013 Guatemala
Tel: 011-502-362-6056 or 362-6051
Fax: 011-502-362-6059

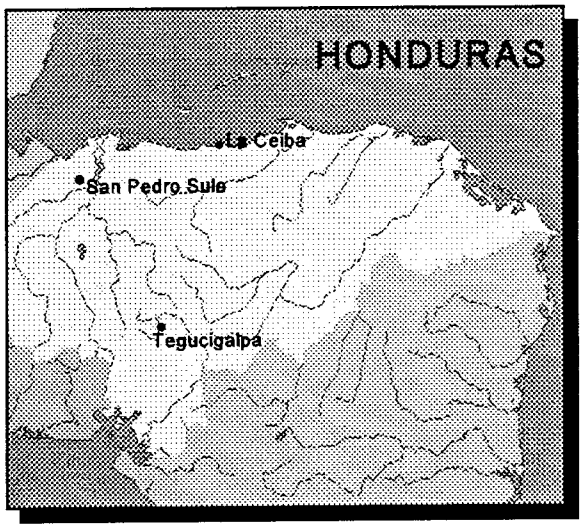
Ing. Fernando Garcia, Chief of Airport Privatization Commission
Tel: 011-502-339-1655
Fax: 011-502-339-1657

Col. Antonio Batres, Administrative Manager
Direccion General de Aeronautica Civil (DGAC)
Aeropuerto Internacional La Aurora, Zona 13
01013 Guatemala
Tel: 011-502-332-0162
Fax: 011-502-331-0290

Mr. Roger Carignan Commercial Officer
U.S. Embassy, Quatemala City, Quatemala
Tel: 011-502-331-1541
Fax: 011-502-334-8477

PRIVATIZATION OF HONDURAS AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Tegucigalpa, San Pedro Sula, Roatan & La Ceiba
Country	Honduras
Type of Project	Privatization
Project Cost	US $30 million
U.S. Export Potential	US $15 million
Owner	SOPTRAVI



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Civil Aviation General Directorate (DGAC) is responsible for all the technical and operational activities of the four international airports in: Tegucigalpa, San Pedro Sula, Roatan and La Ceiba. The DGAC is under the Honduran Secretariat of Public Works, Transportation and Housing (SOPTRAVI).

The "Law of Concessions for the Exploitation of Airport Services", Decree 202-95 was passed in December, 1995. This law provided the government with the authority to concession the nation's airports. A new Civil Aviation Law is expected for approval around August, 1998. This law is expected to refine the process for the concession of airports. The new law is also expected to create an independent regulatory and decentralized authority which is to be known as the National Administration of Civil Aviation (ANACI). ANACI is expected to replace the DGAC in its role of responsibility for the four international airports. ANACI is to perform a supervisory role over the

concessionaire, while ensuring that services meet international regulations and standards. The legal and technical framework for the concession is being prepared by Clifford Chance and Morgan Grenfell.

Statistical data for 1997 for the Honduras airports includes the following:

Passenger Traffic:	Domestic	613,583
	International	550,790
	Total	1,164,373
Cargo Traffic:	Domestic	3,682,092 kg
	International	18,869,475 kg
	Total	22,551,567 kg*

*Note: Does not include figures from Golossn and Roatan Airports

Forecasts from the Civil Aviation Directorate indicate the following by 2005:

Passenger Traffic:	Domestic	977,958
	International	877,875
	Total	1,855,833
Cargo Traffic:	Domestic	5,868,695 kg
	International	30,075,075 kg
	Total	35,943,770 kg*

*Note: Does not include figures from Golossn and Roatan Airports

The United States and Honduras signed an "Open Skies" policy on May 8, 1997. It is expected that this policy will enhance the Honduras business and tourism markets.

The government believes that a selection of a concessionaire for the four international airports will lead to the development and modernization of airport infrastructure, improved managerial expertise, lower operation costs, improved service for the users of the airport and an increase in airport revenues.

TECHNICAL DESCRIPTION OF PROJECT:

As part of the "Program to Reform the Public Sector," the government of Honduras plans to select a single concessionaire to operate the four international airports of Tegucigalpa, San Pedro Sula, Roatan and La Ceiba. A twenty-year period, with an option to extend is anticipated. The terms of the concession will require the operator to be responsible for the investment for the modernization and maintenance of the airports. In return, the concessionaire will gain the right to operate the airports, including parking, food and beverage, retail and airport services. The concessionaire will also be responsible for air traffic services. In addition, the concessionaire will have duty-free importation privileges for machinery and equipment, including vehicles and equipment for exclusive use in the concession operations.

LOCATION OF PROJECT:

The airport of Toncontmn is in the capital city of Tegucigalpa. The airport of Villeda Morales is in San Pedro Sula, the country's commercial and business center. The airport of Golossn is in the coastal city of La Ceiba. The"Juan Manuel Galvez" Airport is in Roatan, near the Bay Islands. Most airport traffic is concentrated in Tegucigalpa and San Pedro Sula, the two main cities of Honduras.

PROJECT TIMELINE:

The new civil aviation law is pending passage in the Congress. It is anticipated that the law should be passed by August, 1998. Thus, it is anticipated that the airports will be put up for tender in late 1998 or early 1999. It is anticipated that after pre-qualifications are due, there will be a 7-8 month evaluation period, due diligence and exchange of information prior to awarding the contract.

EQUIPMENT & SERVICES DEMAND:

The selected concessionaire will be required to upgrade the four international airports. Improvements to airfield, terminal, parking and roadway access are anticipated. Since the concession is to include air traffic control services, improvements to ATC centers are also anticipated. It is expected that initial investments would concentrate on raising the standards of the airports to meet international requirements. Equipment demand for the airport investments is likely to include the following categories: navigational aid equipment, including radio-based and satellite-based technologies; information displays; airfield lighting; terminal upgrades, including public address systems; elevators; generators; baggage claim devices and security systems.

BUDGET FOR PROJECT:

The legal and technical framework, along with the specific investment plan is to be prepared by the international firms Clifford Chance and Morgan Grenfell for each airport. Minimal estimates are expected to be around US$30 million and could be substantially more once detailed analysis of existing conditions has been performed.

EXPORT POTENTIAL:

Based on the order of magnitude described above, the potential for U.S. goods and services is estimated around US$15 million. Demand for U.S. equipment to improve and expand the airports is expected in terminal and cargo support areas, security, navigational aids and airfield lighting categories.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The Honduran government plans to increase the airport departure tax for international flights from US$7 to US$25. The funds generated by the tax are to be earmarked for civil aviation use rather than returned to the central government fund, which is currently the case. However, no definitions as to how this money would be split between the concessionaire and the Civil Aviation Authority was provided.

NEXT STEPS:

Interested U.S. companies should register their interest with the Ministry of Public Works, Transportation and Housing (SOPTRAVI) and the Privatization Advisory Commission. Once ANACI has been established, companies should initiate discussions with the agency regarding the privatizations.

KEY CONTACTS:

Mr. Abraham Israel Rodriguez, Vice Minister
Ministry of Public Works, Transportation and Housing (SOPTRAVI)
Barrio La Bolsa, Comayaguela, Honduras
Tel: 011-504-2-25-0691
Fax: 011-504-2-25-2223

Mr. Luis Rolando Leiva T., Director General
Civil Aviation Directorate
P.O. Box 30145
Tegucigalpa, Honduras
Tel: 011-504-2-33-1115
Fax: 011-504-2-33-3683

Mr. Mario Aguero Lacayo, Executive Secretary
Ms. Lorna Rodriguez, Project Manager
Privatization Advisory Commission
Col. San Carlos, Ave. Republica del Uruguay, No. 18
Tegucigalpa, Honduras
Tel: 011-504-2-21-0667
Fax: 011-504-2-21-0674

Mr. Andrew N. Bowen, Economic Officer
American Embassy, Tegucigalpa, Honduras
Tel: 011-504-2-230-5114, Ext. 224617
Fax: 011-504-2-236-6836

PRIVATIZATION OF THIRTY FIVE MEXICAN AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Various Locations
Country	Mexico
Type of Project	Privatization
Project Cost	US$1 billion
U.S. Export Potential	US$200 million
Owner	SCT

PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

In 1965, the Aeropuertos y Servicios Auxiliares (ASA) was formed as an agency under the Secretariat of Communications & Transport (SCT) to provide airport operational services, auxiliary services (fueling) and non-airport business services. ASA is responsible for the management and operation of 58 airports. Since the 1980's, the government of Mexico has not had the financial resources to meet the infrastructure requirements of their airport system. In the early 1990's the government decided to permit private investors to participate in airport services with ASA under a "coinvestment" concept. To date, an estimated US$350 million in private investment has been "co-invested". On December 14, 1995, a new "Airport Law" was issued, creating the legal framework to allow private companies to directly invest in operational, auxiliary and non-airport business services.

The new Airport Law allows the SCT to grant concessions to the private sector to administer, operate, develop, and in some cases, construct airports. Concessions will be granted for 50 years and

can be extended for a period not to exceed 50 years. The concessions will be issued through public tenders. Foreign investors can invest up to 49% of the capital for the concession. Foreign investors wishing to exceed 49% must obtain approval of the Foreign Investment Commission. The holders of concessions and permits to develop air transportation services (i.e. airlines) may only own up to 5% of the equity of an airport concessionaire or its holding company. In 1998, the 58 airports managed by ASA accounted for a total of 50 million passengers (34% of which were international.) Average annual passenger growth between 1990-1997 was around 5.4%.

TECHNICAL DESCRIPTION OF PROJECT:

Thirty-five (35) airports have been considered for privatization. The strategy for the remaining 23 airports has not been determined. ASA will continue to manage those airports.

The concessionaires must develop a master plan which will be approved by SCT and reviewed every 5 years. This plan must also be approved by the Secretariat of Defense. The plan is an important part of the concession and must be based on Mexican national airport system policies. Airport services are classified into 3 categories: aeronautical, complementary and commercial services. The categories are defined as follows by SCT:

- Aeronautical Services - Those which must be provided directly, or through third parties appointed and hired by the concessionaire. Services include the use of: runways, taxiways, aprons, visual aids, lighting, terminal buildings for passengers and cargo, mechanical boarding facilities, airport safety and security, fire fighting and rescue services, among others.
- Complementary Services - Those which can be provided by the holders of the concessions or permits to provide air transportation services directly for themselves or for other users, or through third parties designated by them. Services include: ramp handling, traffic services, aircraft fuel services, catering, cargo storage and handling, and aircraft maintenance and repair, among others.
- Commercial Services - Those related to the sale of various products and services to airport users which are not essential to the operation of airports or aircraft. Services may be provided directly by the concessionaire or through third parties renting space from the concessionaire for: stores, restaurants, car rental, advertisement, telecommunications, mail, foreign exchange, banks and hotels, among others.

The Law of Airports also establishes that SCT can regulate tariffs and prices for aeronautical and complementary services when conditions do not exist for those to be provided competitively in the opinion of the Federal Competition Commission. The general terms of economic regulation are to be defined in the Rules and Regulations of the Law of Airports which is expected to be released by September, 1998.

The 35 airports to include private sector investment have been formed into 4 regional groups as follows:

- The Mexico City Group, currently consisting of 1 airport
- The North-Central Group, consisting of 13 airports
- The Pacific Group, consisting of 12 airports
- The Southeast Group, consisting of 9 airports

LOCATION OF PROJECT:

The 4 regional airport groups consist of the following airports:

Mexico City Group (1):	Currently Mexico City International Airport
North-Central Group (13):	Monterrey, Acapulco, Mazatlan, Zihuatenejo, Zacatecas, Culiacan' Ciudad Juarez, Chihuahua, San Luis Potosi, Durango, Torreon, Tampico and Reynosa
Pacific Group (12):	Guadalajara, Puerto Vallarta, Tijuana, San Jose del Cabo, Bajio, Morelia, Hermosillo, La Paz, Aguascalientes, Los Mochis, Mexicali and Manzanillo
Southeast Group (9):	Cancun, Merida, Villahermosa, Cozumel, Oaxaca, Huatulco, Minatitian, Tapachula and Veracruz

PROJECT TIMELINE:

The first group of airports to be offered is the Southeast Group. Tenders were announced on June 30, 1998. Firms must be registered by August 7, 1998. Technical and economic proposals are due by late August.

There are several specific deadlines which must be met by the proposers. The next two groups expected for tender are the Pacific Group and the North-Central Group. The bidding process for these 3 groups should be completed by mid-1999.

The Mexico City Airport Group will be bid separately and is more complicated because the plan is to also build a second Mexico City airport. A site is still being considered. The two Mexico City airports are to be managed so that they are complementary to each other. The concessionaire for the Mexico City Group will have the responsibility for both existing and future airports.

EQUIPMENT & SERVICES DEMAND:

All types of airport planning, engineering, architectural and construction management services will be required as well as substantial demand for a variety of airport equipment particularly related to airport terminals, airfield, landside and parking requirements.

BUDGET FOR PROJECT:

Estimates for the required investment in infrastructure for the 35 airports to be concessioned vary. ASA has estimated that for maintenance services alone the required investment is around US$760 million. For the Southeast Airport Group, a minimum of US$200 million for airport expansion and renovation is required in the bid documents. The economic value of the airport network (all 58 airports) is estimated to be around US$15 billion.

An estimate for investment related to the concessioning of the four airport groups (35 airports), not including the development of the second Mexico City airport, is anticipated at around US$1 billion.

EXPORT POTENTIAL:

U.S. companies are likely to be participants as suppliers or service providers for much of the equipment and services needed to expand and modernize the 35 airports to be concessioned. It is estimated that U.S. exports may be as high as US$200 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

To promote the participation of a wide range of public investment, public equity offerings will be used to develop the capital for the airport companies. Each airport group will have a strategic partner selected through a public tender process. The Mexican Federal Government is to incorporate four (4) holding companies (one for each of the airport groups.) A state owned enterprise will be incorporated for each airport. Each enterprise will be granted the "Title of Concession" for the airports in the group.

For each airport group the process is to be accomplished in two phases: (1) selection of a strategic partner, and (2) sale of the holding companies' equity. A strategic partner will provide technical and management expertise to the holding company. Equity will be offered in one or more public offerings in the Mexican and/or international equity markets. The strategic partner for each holding company will be selected by public tender. This "strategic partner" who should be incorporated under Mexican law, should be recognized internationally as developers of airport and commercial activities. The shareholders of the strategic partners should also have knowledge of the Mexican business and labor

environment. The strategic partner is to participate in the holding company through: (1) equity participation and (2) management participation.

Equity participation includes: (1) mandatory purchase of 10% of holding company's equity plus the opportunity to purchase an additional 5%, and (2) option to acquire an additional 5% of the equity upon 5 years after purchase. Note: No company may own more than 15% of the equity of the holding company and only 10% of the required shares will have full corporate rights.

Management Participation includes: (1) operational, financial, commercial and marketing functions; (2) transfer of technology and provision of training programs; and (3) review and update of master plan.

NEXT STEPS:

The process for selecting the strategic partner for each holding company consists of 3 stages: (1) registration of interested parties, (2) technical and financial valuation of the tender, and (3) public tender to acquire the equity participation, selection of a winner and signing of the participation contract.

Each request for bids will include the deadline by which parties should file an application. To date, over 60 firms have registered with the SCT. In order to qualify as a Participant and be able to participate in the bidding, interested parties must obtain authorization from the Ministry, post performance bonds and agree to maintain confidentiality of received information. Only registered participants will have the right to submit bids. Bids will consist of a technical and financial proposal, but will be opened in two separate stages with the technical proposal evaluated first, then the technical proposals for the participants passing the technical review.

KEY CONTACTS:

Lic. Jorge Silberstein, Coordinator General, Unidad de Apoyo al Cambio Estructura
Lic. Rossana Ingle, Directora General de Supervicion y Analisis Unidad de Restructuracion Aeroportuaria, Secretaria de Communicaciones y Transportes (SCT)
Avenida Universidad y Xola, Cuerpo "C", Planta Baja
Col. Navarte
Mexico, D.F. 03020
Tel: 011-525-538-5561 or 538-5265
Fax: 011-525-530-1190

Mr. Kevin C. Brennan, Minister Counselor for Commercial Affairs
American Embassy, Mexico City, Mexico
Tel: 011-525-209-9100, Ext. 3725
Fax: 011-525-207-8837
E-Mail: kbrennan@doc.gov

IMPROVEMENTS IN AIR TRAFFIC MANAGEMENT

PROJECT HIGHLIGHTS	
Project Location	Various Locations
Country	Mexico
Type of Project	Air Traffic
Project Cost	US $15 million
U.S. Export Potential	US $12 million
Owner	SENEAM

PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The "Servicios a la Navegacion en el Espacio Aereo Mexicano" (SENEAM) is the organization that controls the services of air traffic, aeronautical telecommunications, radar control for the navigational areas and meteorological and aeronautical information for Mexican airspace. SENEAM is organized with a General Director headquarters plus five regional areas including: (1) Central - based at Mexico City, (2) Northeast - based at Monterrey, (3) Northwest - based at Mazatlan, (4) West - based at Guadalaraja, and (5) Southeast - based at Merida. Each of these regions is subdivided to provide regional geographic stations. The headquarters for SENEAM is responsible for finances, technical and operational and administrative functions.

Mexican airspace is divided into four control areas, with centers responsible for the airports in the cities of Mexico City, Merida, Mazatlan and Monterrey. Each of these four control areas are further sectorized, including 7 sectors for the Mexico City area, 4 sectors for Mazatlan, 3 sectors for Merida and 3 sectors for Monterrey. The current airspace is divided vertically into airspace "superior" that is above 20,000 nautical miles (nm) and airspace "inferior" which is below 20,000 nm.

PROJECT PROFILE — IMPROVEMENTS IN AIR TRAFFIC MANAGEMENT

Mexico, along with its NAFTA partners, the United States and Canada, have agreed to the process to transition to the Communication, Navigations, Surveillance (CNS) in Air Traffic Management (ATM) environment. Working group meetings have been taking place over the last several years to coordinate and detail the transition plans for the three countries. SENEAM is in the process of modernizing their ATM system to meet the new technologies of CNS, including transitioning to the modern technology of Global Positioning System (GPS). In the area of ATM modernization, Mexico is looking at dividing its airspace according to its traffic.

TECHNICAL DESCRIPTION OF PROJECT:

From January, 1998 to December, 1999, SENEAM intends to modernize the following areas in its transition to CNS/ATM environment:

Communications:

1. Integrating 52 air traffic control towers in the air traffic system into a system of automated communications
2. Actualization of the entire network of aeronautical telecommunication to an AFTN system, an ATN and Data Link.
3. Automation in the interchange of information which is in the ATN.

Navigation:

1. Defining the architecture necessary to transition to satellite (GPS) navigation.
2. Establishing the ground station monumentation and data base for the transition to the GPS environment, including providing over 3,300 monuments.

Surveillance:

1. Exchange of radar images with the United States
2. Automation of the hand transference of radar
3. Tendering of the radars for operating in Mode "S".

LOCATION OF PROJECT:

The modernization program will affect equipment throughout Mexico. SENEAM's Director General will be the focal point of the coordination of the improvements to the Mexican Airspace System.

PROJECT TIMELINE:

The development of the above mentioned projects is to occur prior to December, 1999.

EQUIPMENT & SERVICES DEMAND:

In the future, as an extension of the FAA's contract for WAAS reference stations, SENEAM intends to move forward with supplemental WAAS equipment (to be supplied by Raytheon.) In addition to the CNS equipment described above for the short term modernization plans, SENEAM will have some demand for future software to assist with their transition to a GPS environment. This includes both procedural assistance (new approach procedures using GPS) as well as identification of supplementary aeronautical information.

BUDGET FOR PROJECT:

For the items described in the Technical Description, SENEAM has budgeted a total of US$15 million.

EXPORT POTENTIAL:

U.S. equipment and services are very strong in the CNS/ATM market. Because of close ties to the U.S. and free trade between the two countries, U.S. exports are expected to be as high as US$12 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

Financing for the US$15 million in investment in the modernization of CNS/ATM equipment has been budgeted directly from SENEAM's annual budget.

NEXT STEPS:

Firms interested in providing equipment or services to SENEAM should contact the office of the Director General. Firms should also contact the Commercial Services section of the U.S. Embassy to express interest in these projects.

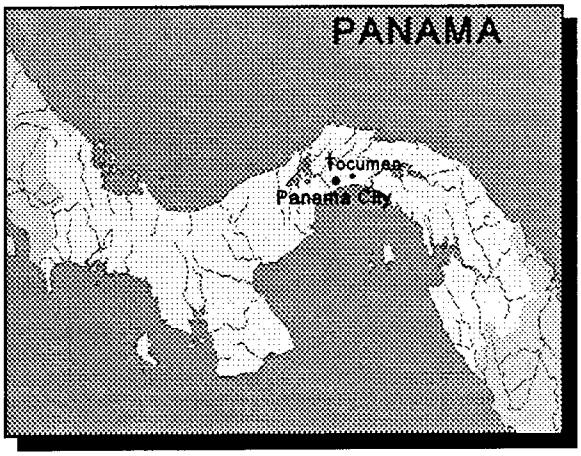
KEY CONTACTS:

Ing. Agustin Arellano Rodriguez, Director General
or Oscar Amable M. del C.
SENEAM
Boulevard Puerto Aereo 485
Zona Federal del Aeropuerto Internacional de la Ciudad de Mexico
Mexico, D.F. C.P. 15620, Mexico
Tel: 011-525-726-1500 or 726-1502 or 726-1503
Fax: 011-525-726-1653
E-Mail: oamable@mail.internet.com.my

Mr. Kevin C. Brennan, Minister Counselor for Commercial Affairs
American Embassy, Mexico City, Mexico
Tel: 011-525-209-9100, Ext. 3725
Fax: 011-525-207-8837
E-Mail: kbrennan@doc.gov

PRIVATIZATION OF TOCUMEN AIRPORT

PROJECT HIGHLIGHTS	
Project Location	Tocumen
Country	Panama
Type of Project	Privatization
Project Cost	US$45 million
U.S. Export Potential	US$25 million
Owner	DAC



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The Direccion de Aeronautica Civil (DAC) is the government organization in Panama in charge of civil aviation, including management of national airports. The privatization process in Panama began in 1997 and is scheduled to be completed in 1998. As a result, there are good opportunities in Panama's aviation sector.

Tocumen International Airport is the largest airport in Panama, providing service for the capital, Panama City. In 1996, 1,083,524 passengers and 67,724 tons of cargo were transported through Tocumen International Airport. Tocumen International Airport currently serves 35 international airlines.

Panama signed an "Open Skies" Agreement with the United States on May 8, 1997 that is provisionally in effect, pending ratification by the country's legislative assembly.

TECHNICAL DESCRIPTION OF PROJECT:

A U.S. consulting firm (Mitre Corporation) did the feasibility study regarding the privatization. The DAC has announced plans to privatize Tocumen International Airport. It is anticipated that privatization would occur through an administrative concession. The government intends to retain ownership of the airport; but the management and developmental responsibilities will be transferred to a private concessionaire for a period of 20-30 years. The DAC is currently developing economic and legal studies to prepare the tender documents. The U.S. law firm of Squire, Sanders and Dempsey is currently preparing the pre-qualification documents. Several drafts have been prepared.

LOCATION OF PROJECT:

The existing airport is located approximately twelve miles outside the capital city, Panama City.

PROJECT TIMELINE:

U.S. consultants (Squire, Sanders and Dempsey) are preparing studies to assist with the legal and economic regulations of the tender process. It is anticipated that tender documents may be available in late 1998. Once the pre-qualification documents are ready, the Council of Ministries must approve the law allowing the concessioning/privatization of Tocumen International Airport. At best, it will be the beginning of 1999 before Panama is ready to call for pre-qualification of bidders.

EQUIPMENT & SERVICES DEMAND:

Equipment needed to modernize the existing facilities are expected to be considerable. Terminal improvements will provide a demand for automated baggage handling, flight information displays, security equipment and other terminal-related equipment.

BUDGET FOR PROJECT:

No specific investment plans have been released at this time. However, minimal investment in capital improvements at the Tocumen International Airport is expected to be in the range of US$45 million.

EXPORT POTENTIAL:

Based on the minimal investment of US$45 million, the potential for U.S. goods and services is approximately US$25 million. The majority of the imports is expected to be terminal-related equipment. However, equipment for airfield lighting and navigational aids is also expected to be imported for this project.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The method of financing chosen for the concession is strictly the responsibility of the winning bidder. Financing options include commercial bank and supplier credits, plus the resources of the winning bidder. It may also be possible to secure credit from the private sector lending windows of multi-lateral development institutions like the Inter-American Development Bank. It is anticipated that the government will maintain ownership of the airport property.

NEXT STEPS:

Interested parties should register with the DAC. DAC expects to publicize their privatization plans for an international tender once details have been finalized, toward the end of 1998.

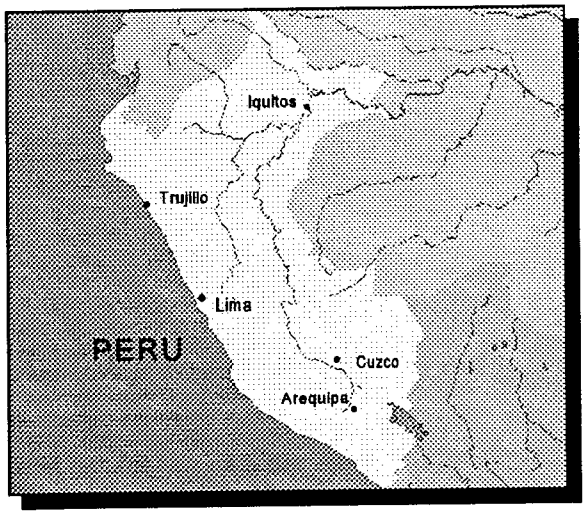
KEY CONTACTS:

Lic. Eustacio Fabrega, Director General
Tel: 011-507-226-1245 or 226-1672 or 226-1161
Fax: 011-507-226-3860
or Ing. Julio Martinis, Director Nacional de Aeropuertos
Tel: 011-507-226-1320
Fax: 011-507-226-0890
Direccion Aeronautica Civil
Aeropuerto Marco A. Gelabert
Edificio Planta Baja Celeste, Via Israel
Apartados 7501 y 7615, Zona 5
Panama 5, Republic de Panama

Mr. Richard F. Benson, Senior Commercial Officer
Mr. Peter Higgins, Civil Aviation Officer
American Embassy, Panama, Republic of Panama
Tel: 011-507-227-1777
Fax: 011-507-227-1964

PRIVATIZATION OF FIVE AIRPORTS

PROJECT HIGHLIGHTS	
Project Location	Lima, Arequipa, Cuzco, Iquitos & Trujillo
Country	Peru
Type of Project	Privatization
Project Cost	US$500 million
U.S. Export Potential	US$125 million
Owner	PROMCEPRI



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

Since 1943, the Corporacion Peruana de Aeropuertos y Aviacion Comercial (CORPAC, S.A.) has managed the 33 airports and 28 unimproved airfields of Peru. Through a series of legislative decrees (Nos. 662, 757, 674 and 839), a Concession Law was enacted to involve the private sector in the operation, maintenance and development of Peruvian infrastructure projects. In September 1997, the Airport Special Committee (CEA) of the Commission for the Promotion of Private Concessions (PROMCEPRI) was created. CEA has determined that five of Peru's largest airports will be concessioned. They include:

(1) Jorge Chavez International Airport in Callao, outside the capital city of Lima. Jorge Chavez International Airport is the principal airport of Peru, handling 51% of the country's passenger traffic and 67% of total cargo. The airport is the international and domestic hub for AeroPeru, the Peruvian

flag carrier. The airport is currently served by seven airlines to the United States, five to Europe and over 15 Latin American airlines. Lima's airport has a single runway 15/35 (11,508' x 150') supported by a single story international passenger concourse and a seven-gate single story domestic passenger concourse on a 41-acre air carrier apron. In 1997, Jorge Chavez International Airport handled 2,215,580 domestic passengers and 1,872,379 international passengers.

(2) Velazco Astete Airport is in the capital of the Department of Cuzco. Cuzco is the most visited tourist destination for both Peruvians and international visitors to Peru. It is Peru's second largest airport and handles 9% of the national passenger traffic and 3% of the cargo. Its current facilities include a single runway 09/27 (11,150' x 150'), customer service, restaurant and a police station. In 1997, Cuzco handled 642,760 domestic passengers and 30,823 international passengers.

(3) Rodriguez Ballon Airport is located 8 km north-northwest of the city of Arequipa, in the Department of Arequipa, approximately 1,030 km south of Lima. It is used primarily for passenger traffic, serving Peru's second most populated city. Its facilities include a single runway 09/27 (9,775' x 150'), customs service, a health post, restaurants and police station. In 1997, there were 13,308 international passengers and 440,519 domestic passengers traveling through Arequipa.

(4) Francisco Secada V. Airport is located in Iquitos, the capital of the Department of Loreto, a jungle area of Peru, situated on the banks of the Amazon River. The airport has a single runway 06/24 (8,200' x 150'), no parallel taxiway, no concourse or landing buildings. Iquitos had 8,695 international passengers and 320,368 domestic passengers in 1997.

(5) Carlos Martinez de Pinillos Airport is on the coast, 8 km south of the city of Trujillo, Department of La Libertad. Currently, the airport is served only by domestic air service, but there is an increasing amount of tourist traffic. The airport has a single runway 01/19 (8,215' x 150'), no parallel taxiway and a 4.3 acre aircraft apron. There is a single story passenger terminal (1570 sq. meters). In 1997 Carlos Martinez de Pinillos Airport handled 206,268 domestic passengers and 487,733 kg of cargo.

Jorge Chavez International Airport is a Category I airport, with over 1 million passengers per year. The other four airports are considered Category II airports, handling between 150,000 to 1 million passengers per year.

The following table shows the level of activity at the five airports since 1994:

Total Passenger Activity (International and Domestic)				
	1994	1995	1996	1997
Lima	3,212,162	3,793,491	3,900,018	4,066,739
Arequipa	464,683	524,847	528,120	453,827
Cuzco	503,115	634,742	695,844	673,583
Iquitos	253,904	326,947	346,771	329,063
Trujillo (Domestic only)	N/A	273,274	241,998	206,268

Cargo Activity (Kg)				
	1994	1995	1996	1997
Lima	49,479,644	79,703,555	83,659,892	83,766,239
Arequipa	1,327,381	3,010,946	3,264,482	2,699,221
Cuzco	1,536,754	3,479,047	3,351,035	3,009,672
Iquitos	6,214,406	10,479,786	11,180,238	21,265,745
Trujillo	N/A	920,082	894,305	487,733

Operations				
	1994	1995	1996	1997
Lima	54,478	69,088	70,230	68,535
Arequipa	11,953	15,909	15,491	12,580
Cuzco	10,698	14,914	18,073	15,992
Iquitos	7,578	8,750	9,299	9,580
Trujillo	N/A	10,745	9,408	9,302

TECHNICAL DESCRIPTION OF PROJECT:

The Commission for the Promotion of the Private Concessions (PROMCEPRI) designated an Airport Special Committee (CEA) in order to implement a concession for the principal airports of the country. CEA intends to privatize the five (5) international airports located in Lima/Callao, Arequipa, Cuzco, Iquitos and Trujillo. Concession developments at those airports include commercial development, main building improvement, aircraft fueling systems, freight warehouses and passenger loading bridges. At the Jorge Chavez International Airport in Lima, there is also a need for development of a second runway, a second level for domestic and international departures, airport hotel, freight warehouses and an immediate need for an improved aircraft fueling system.

LOCATION OF PROJECT:

Jorge Chavez International Airport is located in Callao and serves the capital city of Lima. Lima's Jorge Chavez International Airport is Peru's international gateway for passenger and cargo traffic. Cuzco Airport is located in the Department of Cuzco, a Peruvian tourist destination; Rodriguez Ballon International Airport is located in the town of Arequipa about 1,030 km. south of Lima; Francisco Secada V. Airport in Iquitos is located in the Department of Loreto, in the jungle area; Carlos Martinez de Pinillos Airport is located in Trujillo, which is in northern Peru along the Pacific coast.

PROJECT TIMELINE:

Guidelines for the concession are anticipated to be released by CEA before the end of 1998. It is estimated that the public tender may be announced during the first quarter of 1999, with a completed process accomplished within a one year time frame. The airport concession is expected to be for 30-35 years.

EQUIPMENT & SERVICES DEMAND:

Services required by the private concessionaire selected to operate the Lima, Cuzco, Arequipa, Iquitos and Trujillo Airports include all airport operational and management services, with the exception of ATC. Equipment needs to modernize the existing facilities are expected to be considerable and will include automated baggage handling, flight information displays, security equipment and other terminal-related equipment.

BUDGET FOR PROJECT:

In 1996, USTDA funded a study of Peru's airport and air traffic system performed by Birk Hillman Associates (U.S.). Based on this study, detailed master plans for the five airports are being developed which will determine the short and long term investments required. CEA intends to specify level of service and infrastructure requirements rather than identifying a specific minimum capital investment amount. Investments in capital improvements at the five airports are expected to exceed US$500 million. The CEA's consultants are currently working on defining the investment areas for the five airports.

EXPORT POTENTIAL:

Since many of the improvements will be related to terminal building equipment, lighting and signage, and mechanical aids, the potential for U.S. goods and services is approximately US$125 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The Airports Special Committee (CEA) expects the private operator to provide financing for the improvements. The government is aggressively fostering investment strategies that afford foreign investors the same rights and opportunities as nationals. The concession is not expected to limit foreign investment participation. Qualified investors are offered protection by means of "legal stability agreements" which are agreements between investors (foreign or domestic) and the State that lock in specific legislation, such as tax and foreign exchange at the time of execution. These agreements insure investors and the companies in which they participate, that any changes taking place in legislation specified in the agreements during their validity will not be applicable to them.

NEXT STEPS:

CEA has assembled a team of consultants to assist in the concession, including Deutsche Morgan Grenfell (financial advisors), Baker & McKenzie (legal adviser) and Ernst & Young LLP (concession advisers).

Interested parties should register their interest with the Coordinator of CEA. CEA expects to widely promote their privatization plans once details have been finalized, toward the end of 1998.

KEY CONTACTS:

Calm. A.P. (r) Dante Matellini B., Presidente del Directorio
Corporation of Airports and Commercial Aviation
Aeropuerto Internacional Jorge Chavez s/n
Av. Elmer Faucett s/n
Callao, Callao 01, Peru
Tel: 011-51-1-575-1605
Fax: 011-51-1-575-1698
E-mail: dmatellini@corpac.gob.pe

Antonio Jochamowitz Stafford, Coordinator
Comite Especial de Aeropuertos (CEA)
Centro de Entrenamiento Aeronautico
Aeropuerto International Jorge Chavez
Av. Elmer Faucett s/n
Callao, Callao 01, Peru
Tel: 011-51-1-575-0912
Fax: 011-51-1-575-1068
E-Mail: ajochamowi@corpac.gob.pe

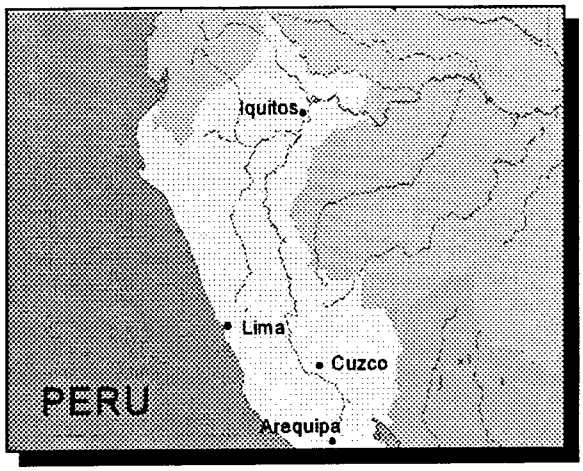
Members of CEA:

Dante Matellini - President
Luis Plazzon Gallo - Member
Mayen Ugarte - Member
Antonio Jochamowitz - Coordinator

Mr. Cesar Jochamowitz, Commercial Advisor
American Embassy, Lima, Peru
Tel: 011-511-434-3000 or 4434-3040
Fax: 011-511-434-3041
E-Mail: cjochamo@doc.gov

MODERNIZATION OF AIR TRAFFIC MANAGEMENT SYSTEM

PROJECT HIGHLIGHTS	
Project Location	Various
Country	Peru
Type of Project	Air Traffic
Project Cost	US$25.8 million
U.S. Export Potential	US$22 million
Owner	CORPAC



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

Since its formation in 1943, the Corporacion Peruana de Aeropuertos y Aviacion Comercial (CORPAC, S.A.) has been responsible for the development of both the air traffic management system and the national airport system in Peru. CORPAC currently manages the 33 airports and 28 unimproved airfields, as well as the air traffic management and air space control system for civil aviation in Peru.

CORPAC is beginning the transition to a CNS/ATM program by modernizing specific elements of its communications, navigation, and surveillance areas in order to transition to a satellite-based air traffic control environment. They are also investing in some traditional air traffic management and control systems. The U.S. firm, ARINC, is taking a leading role in the development of these systems by implementing the crucial links between ground based and aircraft based equipment. These systems are in the test phase and are being supported by several other U.S. companies, including United Airlines, Park Air Electronics, Northrop Grumman and Calmaquip Company.

TECHNICAL DESCRIPTION OF PROJECT:

CORPAC has identified a need for the following six projects to modernize Peru's air traffic management within the next three years:

1. Modernization of Aeronautical Communication System
2. Acquisition of Secondary Radars for 3 airports
3. Equipment for transition to GPS
4. Modernization of Flight Inspection System
5. Modernization of National Aeronautical Meteorological System
6. Modernization of Radio Network

The projects are further described as follows:

1. CORPAC is in the final stages of developing the tender documents for the modernization of the Peruvian aeronautical communication system. Included in this tender will be the establishment of 51 communication stations (grouped in 17 nodes) which will be equipped for VHF communications of voice and data exchange, automated and efficient systems combining centralization of management control in one headquarter location. The project will also include the automation of hand transfers and digital communication. This project is anticipated to be bid in the fall of 1998.

2. CORPAC is beginning development of a tender document for Phase II of their radar improvements. Phase I is currently being finalized with the installation of a new radar for Lima provided by Northrop-Grumman to be inaugurated in August 1998. Phase II of the modernization program is to include 3 secondary radars to provide additional coverage to the Peruvian airspace system. It is anticipated that Cuzco, Arequipa, and Iquitos will be the locations of the secondary radar systems. However, there may be several additional locations added to extend coverage. It is intended that the secondary radars will be tendered as one package, and implemented in phases as budgets allow. This project is anticipated to be bid in 1999.

3. CORPAC is beginning the detailed planning for the transition to a GPS system. This is one area in which there may be opportunities for U.S. service firms. CORPAC is committed to investing in GPS equipment. Detailed technical specifications are being developed for DGPS/ADS/ADA-Datalink for implementation at 3 airports. Cuzco is in most urgent need of improved approaches, and 2 additional airports: one in the jungle area and one in the south are also anticipated to receive DGPS systems. This project is anticipated to be bid in 1999.

4. CORPAC has developed the technical specifications for modernization of the flight inspection system including the installation of new panel controls. Their existing flight safety system was purchased in 1983. It is expected that this project will be tendered in 1998.

5. CORPAC has not yet developed the specific bidding documents for the improvements to the national meteorological system; however, it is expected that this project is likely to be tendered in 1999.

6. Modernization of the radio network is also expected to be tendered in 1999. CORPAC expects to be developing technical specification in 1999 for this project.

LOCATION OF PROJECT:

The improvements will occur in various locations throughout Peru. Please see technical description for details for each area.

PROJECT TIMELINE:

The tender documents have been prepared for the modernization of the aeronautical communication system and the tender is expected in the Fall of 1998. This project was under development for the previous two years. Projects 2-4 have developed technical specifications. The remaining projects are currently still in the planning phase. It is anticipated that international tenders for this equipment should be completed within two years.

It is CORPAC's intent to hold tenders individually for each of the six projects listed. The individual items within those six packages may be implemented on a phased program as CORPAC's budget allows. This procedure will keep the supplier the same for each type of air traffic control equipment, minimizing the need for maintaining different systems. Thus, it is important for U.S. companies to actively pursue getting the initial tender since future modernizations and expansions are not likely to be re-bid.

EQUIPMENT & SERVICES DEMAND:

CORPAC may have a need for some technical services related to the transition from a traditional navigation system to a satellite-based system. Opportunities to assist CORPAC may be possible in the short term if funding is sought from agencies like the U.S. Trade and Development Agency (USTDA). Specific equipment demand for the six projects is described above.

BUDGET FOR PROJECT:

The Budget for the Various Parts of the Modernization include the following:

Modernization of Aeronautical Communication System	US$ 8 million
Acquisition of Surveillance Radios for 3 airports	US$ 6 million
Equipment for transition to GPS	US$ 1 million
Modernization of Flight Inspection System	US$ 1.5 million
Modernization of National Aeronautical Meteorological System	US$ 4.5 million
Modernization of Radio Network	US$ 4.8 million
Total	US$ 25.8 million

EXPORT POTENTIAL:

The majority of this equipment could be imported from the United States. However, the U.S. will face stiff competition from Japan and European suppliers for the air traffic management equipment. The Japanese are currently financing a study for the Ministry of Transport, Communication, Housing and Construction on the development of the airport system. The potential for export related to these six projects is estimated to be around US$ 22 million.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

It is expected that CORPAC will fund the improvements to the air traffic management system from its own internal budget. Equipment supplier credit and phased purchases are anticipated to be part of this system modernization.

NEXT STEPS:

Interested parties should register their interest with the central department for air navigation in CORPAC.

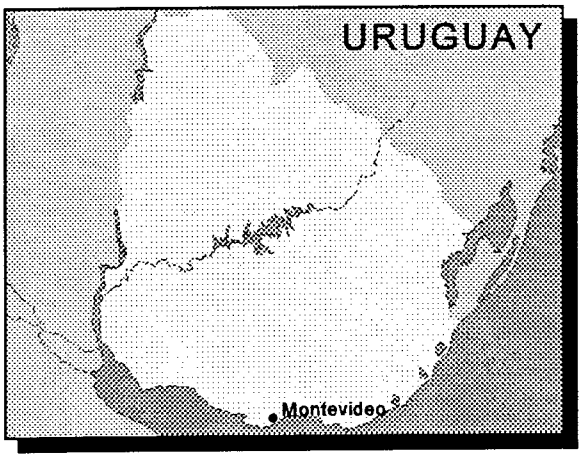
KEY CONTACTS:

Ing. Alan A. Portugal Hidalgo, Gerente Central de Aeronavegacion
CORPAC
Av. Elmer Faucett s/n
Aeropuerto International Jorge Chavez
Callao, Lima, Peru
Tel: 011-51-1-575-0912 Ext. 3200-3201
Fax: 011-51-1-575-0954
E-Mail: cbustamant@corpac.gob.pe

Mr. Cesar Jochamowitz, Commercial Advisor
American Embassy, Lima, Peru
Tel: 011-511-434-3000 or 4434-3040
Fax: 011-511-434-3041
E-Mail: cjochamo@doc.gov

PRIVATIZATION OF EL CARRASCO INTERNATIONAL AIRPORT

PROJECT HIGHLIGHTS	
Project Location	Montevideo
Country	Uruguay
Type of Project	Privatization
Project Cost	US $180 million
U.S. Export Potential	US $80 million
Owner	DOD



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

The current owner and operator of the airports in Uruguay is the Department of Defense (DOD). In 1996, a runway study performed by SEA Technical (Italy) indicated that the existing Montevideo International Airport needed between US$60 and US$65 million in investments to improve the airfield facilities. Upgrades included a new runway, widening of the existing runway, expanding the aircraft aprons, upgrading the navigational aids, lighting, signage, and marking.

The existing terminal at "El Carrasco" International Airport is antiquated and requires substantial modernization. The airport does not currently have loading bridges. The DOD recently evaluated the infrastructure needs to modernize the terminal facility. The existing airport is located in a very urbanized area and is approximately 910 hectares in size. The existing airport is also located near an affluent residential area.

In light of the substantial improvements required and cost associated with modernizing the current facilities and building a new terminal, the Government of Uruguay plans to tender a bid for a private concessionaire to build, operate and transfer (BOT) back the facility to the government after a given period. The government has decided to modernize and expand the existing airport and build a new terminal within the existing perimeter versus constructing a new airport in a different location. The latter option had been seriously considered but was discarded late in 1996. The Uruguayan government hired Lufthansa Consulting (Germany) to prepare the tender documents.

TECHNICAL DESCRIPTION OF PROJECT:

The government of Uruguay intends to award a contract for a 25-year Build-Operate-Transfer (BOT) concession for the development, operation and management of Montevideo's El Carrasco International Airport. The project has been significantly expanded from the mere construction of a new passenger terminal at the airport. Now, in addition to the new passenger terminal, the project includes a new cargo terminal, extension and widening of the existing runway, expansion of the apron areas, new runway and taxiway lighting, plus new signage and marking for the airfield. Existing statistics for El Carrasco include:

	1990	1996
Annual Passengers	750,000	1,138,000
Annual Cargo (tons)	14,900	28,500
Annual Operations	24,000	26,800
Annual Commercial Flights	12,260	15,380

The consultants used by the Uruguayans have determined that the existing passenger terminal at El Carrasco International Airport will reach its capacity by the year 2005. The cargo terminal is anticipated to reach its capacity by 2010.

LOCATION OF PROJECT:

The project is located at the existing "El Carrasco International Airport" in the capital city of Montevideo.

PROJECT TIMELINE:

All of the technical portions of the planning are completed. The pre-qualification stage has been completed, with nine consortia registered. The Department of Defense (DOD) reviewed the nine pre-qualified firms and on June 23, 1998, four consortia were asked to bid on the tender including: Consorcio MVD Aeroportuarios; Consorcio Aeropuertos del Mercosur; Consorcio Uruguayo

Espanol Carrasco; and Consorcio Aeropuertos Uruguayos. The only U.S. consortium is led by the investment firm Advent International Corp. and includes Latin America Investment Fund, Bank Boston (U.S.), a Uruguayan investment group and the San Francisco International Airport.

An award by the DOD is anticipated by the end of 1998 or early 1999. Transfer to the winning concessionaire is scheduled to begin in May, 1999. All components of the 25-year concession are scheduled for implementation by 2004.

EQUIPMENT & SERVICES DEMAND:

The development of the airport will entail both airfield equipment and terminal building equipment. For the airfield, lighting, signage, navigational aids, instrument landing systems, signage and runway, taxiway and apron construction will be required. A new terminal building is to provide modern equipment and thus equipment demand will likely include loading bridges, baggage claim equipment and conveyor systems, audio equipment, information management systems, flight information displays, public address system, escalators, elevators, climate control systems, X-ray equipment, magnetometers, high impact carpet, and other terminal building equipment and products. The projects will also require planning, design and construction management for the airport facility.

BUDGET FOR PROJECT:

The current investment in infrastructure required for the modernization to "El Carrasco" International Airport by the concessionaire is US$180 million. There is not public data on the costs of the various components of the project. Costs are dependent on determinations provided by the winning bidder.

EXPORT POTENTIAL:

U.S. companies can provide much of the needed equipment for the development of the passenger and cargo terminals, lighting and signage equipment. It is expected that local labor forces will be used for much of the civil-related construction. Thus, the potential for U.S. exports is estimated around US$80 million. The specific improvements are to be proposed by the winning bidder but DGAC will have to accept the planned improvements.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

All sources of funding for the required infrastructure investment are to come from the private sector. No details have been released as to the process for private sector funding. Presumably, each bidder will need to develop their own finance package. Financing options include commercial banks, supplier credits, credit from multi-lateral development banks and the resources of the bidder.

NEXT STEPS:

Based on the timeline described, preparation of technical and economic proposals will be accomplished by the selected pre-qualified bidders. Due to the involvement of several key government ministries in the concession plan for "El Carrasco International Airport", the decision making process continues to be deliberate and thorough. The ad hoc committee continues to function actively and will be the key decision maker.

KEY CONTACTS:

Dr. Elias Bluth, Secretario de la Presidencia de la Republica
Edificio Libertad
L.A. de Herrera 3350
Montevideo, Uruguay
Tel: 011-5982-472-529
Fax: 011-5982-807-561

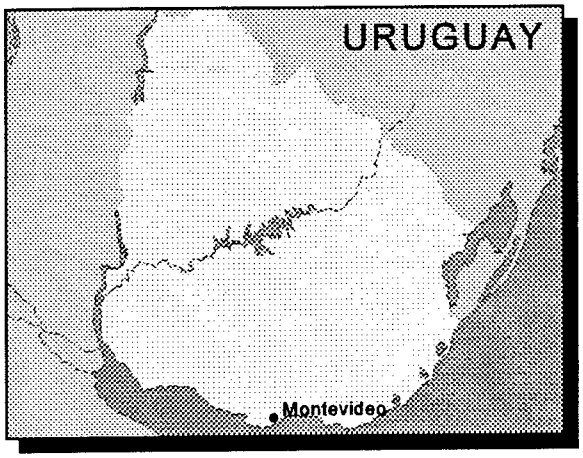
Dr. Juan Luis Storace, Under Secretary Ministry of Defense
President, Carrasco Airport Selection Committee
Av. 8 de Octobre 2628
Montevideo, Uruguay
Tel: 011-5982-487-2828 or 487-0491
Fax: 011-5982-614-308 or 481-4833

Colonel Carlos Pena
Direccion Nacional de Aviacion Civil e Infraestructura Aeronautica
Tel/Fax: 011-5982-601-1749

Mr. Robert H. Gorter, Commercial Specialist
American Embassy, Montevideo, Uruguay
Tel: 011-5982-408-7777, ext. 2366
Fax: 011-5982-408-8581
E-Mail: gorterrhe@montewpoa.us-state.gov

MODERNIZATION OF THE AIR TRAFFIC MANAGEMENT SYSTEM

PROJECT HIGHLIGHTS	
Project Location	Montevideo
Country	Uruguay
Type of Project	Air Traffic
Project Cost	US $8 million
U.S. Export Potential	US $6 million
Owner	DNACIA



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

Air passenger and cargo traffic at El Carrasco Airport, serving Montevideo, has grown substantially in recent years due to activity generated by the Mercosur trading and economic agreement. Uruguay hopes to eventually become the site of the permanent secretariat for the Mercosur. Now that the decision has been made to privatize operations at El Carrasco and modernize its facilities, the current owner and operator of the air traffic facilities, Uruguay's Department of Defense (DOD), has initiated efforts to upgrade the currently outdated air traffic management system in tandem with the airport improvements.

TECHNICAL DESCRIPTION OF PROJECT:

The Direccion Nacional de Aviacion Civil e Infrastructura Aeronautica (DNACIA) has signed a technical assistance agreement with the U.S. Federal Aviation Administration (FAA) to assist in the modernization of their air traffic management system towards a CNS/ATM environment. The Direccion Nacional de Aviacion Civil e Infrastructura Aeronautica also plans to upgrade the existing air navigation and air traffic control systems, mainly in the capital city of Montevideo.

LOCATION OF PROJECT:

The improvements to the Air Traffic Management System will be in Montevideo at El Carrasco International Airport.

PROJECT TIMELINE:

Currently, four bids have been received to supply and install the equipment and to do the construction on the air traffic control building at Montevideo. The technical commission established for this project is currently reviewing the bids and the legal requirements for the award. The commission is expected to deliver its recommendation in September, 1998, after which certain procedural steps will be taken to finalize the decision. A final determination is expected by year end 1998. The actual construction and equipment installation is expected to take approximately one year.

EQUIPMENT & SERVICES DEMAND:

Improvements are expected to include software and equipment for a new control tower. The purchase of new radars is also expected as part of the modernization of the existing air traffic control systems.

BUDGET FOR PROJECT:

Total anticipated costs for the improvements to the system are estimated around US$8 million. The majority of the budget is anticipated for the equipment and software to be purchased to update the air traffic management system.

EXPORT POTENTIAL:

The majority of the equipment required for the modernization of Uruguay's air traffic management system will be imported. U.S. companies are known for their traditional air traffic control and software management equipment. The technical assistance agreement with FAA may encourage introduction of modern technology to the Uruguayan government. It is estimated that the potential for U.S. exports is US$7 million of the US$8 million budget.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

The NACIA intends to use its own funds to finance this project.

NEXT STEPS:

Firms interested in supplying equipment should contact the Direccion Nacional de Aviacion Civil e Infrastructura Aeronautica. It is also advisable that the U.S. firms contact the FAA Office of International Aviation to express interest for CNS/ATM opportunities in Uruguay.

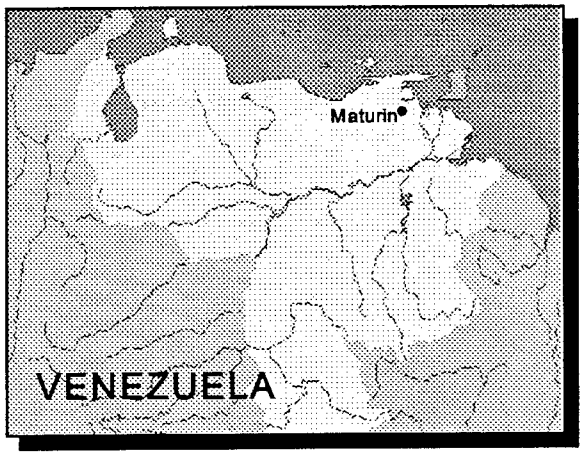
KEY CONTACTS:

Colonel Walter Ghiorsi, Director Nacional de Infraestructura Aeronautica
or Colonel Carlos Eirale, Senior Director of Electronics
Direccion Nacional de Aviacion Civil e Infraestructura Aeronautica
Cno. Carrasco 5519
C.P. 11.000
Montevideo, Uruguay
Tel: 011-5982-601-4743 or 601-4061
Fax: 011-5982-614-308 or 601-1515

Mr. Robert H. Gorter, Commercial Specialist
American Embassy, Montevideo, Uruguay
Tel: 011-5982-408-7777, ext. 2366
Fax: 011-5982-408-8581
E-Mail: gorterrhe@montewpoa.us-state.gov

DEVELOPMENT OF NEW AIRPORT IN MATURIN

PROJECT HIGHLIGHTS	
Project Location	Maturin
Country	Venezuela
Type of Project	Privatization
Project Cost	US $100 million
U.S. Export Potential	US $20 million
Owner	PDVSA



PROJECT PROFILE

BACKGROUND INFORMATION AND NEED FOR PROJECT:

In 1992, Venezuela passed a de-centralization law which transferred ownership of all government operations, including airports, to the states in which they are located. The existing Maturin Airport is located in, and under the authority of, the State of Monagas. Recently, the State of Monagas has seen significant oil discoveries. It is also a fertile agricultural zone. Maturin's current estimated population of 260,000 is growing at a swift pace. As a result, both passenger and cargo traffic are increasing rapidly and the existing airport facilities in Maturin are not sufficient.

As an advisor to the State of Monagas, PDVSA Services, a division of PDVSA Petroleum - the government's oil company, is exploring the possibility of the development of a new airport to serve Maturin through a concession process. PDVSA is currently interested in analyzing the existing concession laws in order to insure that a proper legal framework exists and that all parties would be protected if the Maturin Airport were to be concessioned. Depending on the findings of this feasibility study and a final decision by the State of Monagas, it will be determined whether the existing airport will be expanded or a new airport will be built.

TECHNICAL DESCRIPTION OF PROJECT:

The PDVSA division "Desarollo Armonica del Oriente"(DAO), is acting as the agent for the State of Monagas. PDVSA(DAO) is the regional developer for eastern Venezuela and will provide all the economic and technical support for the project analysis. They will contract with outside consultants, as needed, for this process. Once PDVSA (DAO) is ready, it will present a recommendation to the Governor of the State of Monagas for final decision. The Governor will make the final choice on expansion or a new site.

The technical scope of the projects depends on whether the existing airport is to be expanded and modernized or a new facility is to be built. Since the airport is located within an urban area, environmental impact studies would be necessary for expansion. No environmental hurdles are anticipated.

The existing international airport in Maturin maintained close to 300,000 annual passengers from 1988 through 1993. In the last several years passenger counts have declined to 100,000 passengers in 1997. PDVSA (DAO) forecasts annual passenger movements to be around 500,000 by 2015. PDVSA (DAO) also forecasts cargo tonnage to increase from 100,000 tons in 1998 to 250,000 tons by 2008 and 600,000 tons by 2018.

LOCATION OF PROJECT:

The project is located in the city of Maturin, in the State of Monagas, situated in eastern Venezuela.

PROJECT TIMELINE:

PDVSA (DAO) hopes to best decide on a method of funding the necessary feasibility study by the end of September, 1998 and to have the study completed by the Spring of 1999. The concession term is expected to be around twenty years, as is allowed by Venezuelan law.

EQUIPMENT & SERVICES DEMAND:

New navigational equipment is necessary for the existing airport whether a new airport is built or the existing airport is expanded. In addition, runways, hangars, access ramps, lighting, terminal building, vehicle access, parking, public services and safety and security equipment will be needed.

BUDGET FOR PROJECT:

The current minimal investment estimated for a new Maturin Airport by the concessionaire is US$100 million. No budget is available for the required investment for expanding the new airport.

EXPORT POTENTIAL:

U.S. companies would have an opportunity to provide much of the necessary equipment for a new airport. State of Monagas officials have expressed an interest in obtaining U.S. type navigational equipment and other high technology equipment. The estimated potential for U.S. exports for the development of a new airport is US$20 million. It is estimated that U.S. exports would likely include airfield lighting, signage and navigational aids plus cargo and terminal equipment. Civil-type construction is expected to be accomplished with local labor and equipment.

FINANCING ASSESSMENT & SOURCES OF FUNDING:

Construction and equipment needs will be financed by a combination of funds borrowed from multi-lateral institutions, like the World Bank or the Inter-American Development Bank and/or funds lent by private international sources plus funds provided by the State of Monagas. No Venezuelan Federal Government money will be used. It is anticipated that the concession may be a build-own-operate (BOO) type of structure.

NEXT STEPS:

The Governor of the State of Monagas; Ing. Salvador Arrieta, General Manager, DAO; Ing. Ricardo Nauman, DAO; and Ing. Victor Delgado, Manager of Infrastructure Services, DAO are the key decision makers in this project. Interested U.S. companies should register their interest with PDVSA. (DAO).

KEY CONTACTS:

Ing. Victor Delgado, Manager of Infrastructure and Services
Desarollo Armonica del Oriente (DAO)
Av. Liberator s/n, Al Frente de Edif. PDVSA
Torre Sur, Piso 2
Caracas, Venezuela
Tel: 011-582-706-6658
Fax: 011-582-706-6770

Mr. Eric Sletten, Senior Commercial Officer
American Embassy, Caracas, Venezuela
Tel: 011-582-977-2011
Fax: 011-582-977-2177